



Department of the Treasury
Internal Revenue Service
Tax Exempt and Government Entities
PO Box 2508
Cincinnati, OH 45201

Date: **September 14, 2021**

Employer ID number:

Form you must file:

Tax years:

Person to contact:

Name:

ID number:

Telephone:

Number: **202149014**
Release Date: 12/10/2021

UIC: 501.06-00, 501.06-01

Dear _____ :

This letter is our final determination that you don't qualify for exemption from federal income tax under Internal Revenue Code (IRC) Section 501(a) as an organization described in IRC Section 501(c)(6). Recently, we sent you a proposed adverse determination in response to your application. The proposed adverse determination explained the facts, law, and basis for our conclusion, and it gave you 30 days to file a protest. Because we didn't receive a protest within the required 30 days, the proposed determination is now final.

You must file the federal income tax forms for the tax years shown above within **30 days** from the date of this letter unless you request an extension of time to file. For further instructions, forms, and information, visit www.irs.gov.

We'll make this final adverse determination letter and the proposed adverse determination letter available for public inspection after deleting certain identifying information, as required by IRC Section 6110. Read the enclosed Notice 437, Notice of Intention to Disclose, and review the two attached letters that show our proposed deletions. If you disagree with our proposed deletions, follow the instructions in the Notice 437 on how to notify us. If you agree with our deletions, you don't need to take any further action.

If you have questions about this letter, you can call the contact person shown above. If you have questions about your federal income tax status and responsibilities, call our customer service

number at 800-829-1040 (TTY 800-829-4933 for deaf or hard of hearing) or customer service for businesses at 800-829-4933.

Sincerely,

Stephen A. Martin
Director, Exempt Organizations
Rulings and Agreements

Enclosures:

Notice 437

Redacted Letter 4034

Redacted Letter 4038



Department of the Treasury
Internal Revenue Service
 P.O. Box 2508
 Cincinnati, OH 45201

Date: July 27, 2021

Employer ID number:

Contact person/ID number:

Contact telephone number:

Contact fax number:

Legend:

B - Date
 C - State
 D = Number
 x dollars - Amount

UIL:

501 06 00
 501.06 01

Dear _____ :

We considered your application for recognition of exemption from federal income tax under Internal Revenue Code (IRC) Section 501(a). We determined that you don't qualify for exemption under IRC Section 501(c)(6). This letter explains the reasons for our conclusion. Please keep it for your records.

Issues

Do you qualify for exemption under IRC Section 501(c)(6)? No, for the reasons stated below.

Facts

You were incorporated on B in the state of C as a membership organization. You did not submit a complete copy of your Articles of Incorporation showing proof of filing with your state of incorporation. We attempted to secure a filed copy from you, but you were only able to provide a copy of what you originally submitted on the state website.

Article I of your By-laws states that "The purposes of the Corporation are to promote and create cooperation and commercial efficiency by and between its member firms, to present business opportunities for growth locally, nationally and in foreign trade for its member firms and to promote and facilitate better business relationships and closer commercial association." You stated you fulfill your mission of helping members build strong business relationships and generate new business through referrals and networking on a regular basis.

You described your activities as providing an important and effective way to help members achieve their business goals and implement a strategy for acquiring future business. You assure members that you will only allow one member from each particular field of business to join your organization.

Article III, Section 1, of your By-laws describes your Member Firms and Membership Qualifications: "...The membership shall be limited to one member firm from each field of business endeavor ("category" herein), except in those cases where member firms of the same general industry are deemed by the Board of Directors

not to be in competition with each other...” Your application further clarifies that you have one class of membership, the member business must be operational for D years, have at least D employees, have at least x dollars in revenue, attend 80 percent of meetings, and be current on membership dues.

Membership is composed of business owners and professionals from a variety of lines of trade. New members submit an application and a committee designated by your Board of Directors reviews the application and elects new members.

You publish monthly newsletters which are distributed to members. The newsletters contain background information on member businesses, as well as website links, mailing addresses, contact information, and advertisements for the member businesses. You conduct monthly and annual meetings. You receive your financial support primarily in the form of quarterly membership dues.

Law

IRC Section 501(c)(6) provides for exemption of business leagues, chambers of commerce, real estate boards, boards of trade, and professional football leagues, which are not organized for profit and no part of the net earnings of which inures to the benefit of any private shareholder or individual.

Treasury Regulation Section 1.501(c)(6)-1 states a business league is an association of persons having some common business interest, the purpose of which is to promote such common interest and not to engage in a regular business of a kind ordinarily carried on for profit. Thus, its activities should be directed to the improvement of business conditions of one or more lines of business as distinguished from the performance of particular services for individual persons.

Revenue Ruling 59-391, 1959-2 C.B. 151, describes an association organized for the mutual exchange of business information among its members; to facilitate the making of business contacts for its members; to encourage all types of trade expansion for the benefit of its members; and to encourage better business relations among its members. The bylaws for the association state that membership shall be composed of persons each representing a different trade and no member shall be in competition with another. At the association’s weekly luncheon meetings, each member submits a list of business acquaintances and agrees to furnish to other members letters of introduction to such acquaintances. The members of the association have no common business interest other than a mutual desire to increase their individual sales. The organization's activities are not directed to the improvement of business conditions of one or more lines of business, but rather to the promotion of the private interests of its members, which membership is limited by the organization's bylaws to one representative from each line of business. Accordingly, the association is not a business league within the intent of Section 501(c)(6) of the Code.

Revenue Ruling 73-411, 1973-2 C.B. 180, in discussing the exempt status of a shopping center merchants' association under Section 501(c)(6) of the Code, describes in detail the history of Section 501(c)(6) and the types of organizations described therein. In the case of a chamber of commerce or similar organization, the common business interest required under Treas. Reg. Section 1.501(c)(6)-1 is usually the general economic welfare of a community. Membership is voluntary and open generally to all business and professional men and women in the community. The revenue ruling states that it has been accepted that an organization seeking exemption from federal income tax under Section 501(c)(6) as a chamber of commerce or board of trade must be one whose efforts are directed at promoting the common economic interest of all the commercial enterprises in a given trade community. The revenue ruling also defines trade associations or business leagues as similar to chambers of commerce or boards of trade, except that the former serve only the common business interests of the members of either a single line of business or closely related lines of business within a single industry.

In Indiana Retail Hardware Assn., Inc. v. United States, 366 F.2d 998 (1966), the Court held that when conducting particular services for members is a substantial activity of an organization, the organization will be precluded from exemption under IRC Section 501(c)(6). Over 58 percent of the organization's total income was derived from its performing particular services for individuals as convenience and economy in their businesses and from its other income-producing activities.

Application of law

You are formed to provide referral services for your members who are from different lines of businesses, each of which are the sole representatives of each line of business. Therefore, you are not organized for any of the purposes described in IRC Section 501(c)(6).

Contrary to Treas. Reg. Section 1.501(c)(6)-1, you are not an association of persons with common business interests. Your membership is composed of one representative from each industry or professional classification and has no common business interest. Therefore, you are not a business league as described in IRC Section 501(c)(6).

You are like the organization described in Rev. Rul. 59 391 in that your By laws limit membership to a single individual to represent each trade. Furthermore, the member businesses must not be in competition with one another. Your members have no common business interest other than a mutual desire to increase their individual sales. Likewise, your newsletters are not directed toward the improvement of one or more lines of business, but rather to the promotion of the individual member businesses via referrals.

As described in Rev. Rul. 73-411, membership in and enjoyment of privileges in an organization exempt under IRC Section 501(c)(6) are not to be restricted or limited to a select number of entities within the described industry. Membership in a trade association or business league is both voluntary and open generally to all entities within a particular line of business or closely related lines of business. When you restrict privileges to a limited group of members, you are lacking an essential element of public representation and membership support within the intent of Section 501(c)(6).

Like the organization described in Indiana Retail Hardware Assn., Inc. v. United States, your activities do not improve the business conditions of one or more lines of business or the business conditions of any community as a whole. Instead, you serve the special interests of your individual members.

Conclusion

You are not an association of persons promoting one or more lines of business because your activities constitute specific services to members and are directed toward promoting your members' private business interests. You are not focused on improving the business conditions of any community as a whole, but rather focus on generating new business for a limited group of members through referrals and networking. Accordingly, you do not qualify for exemption as an organization described in IRC Section 501(c)(6).

If you agree

If you agree with our proposed adverse determination, you don't need to do anything. If we don't hear from you within 30 days, we'll issue a final adverse determination letter. That letter will provide information on your income tax filing requirements.

If you don't agree

You have a right to protest if you don't agree with our proposed adverse determination. To do so, send us a protest within 30 days of the date of this letter. You must include:

- Your name, address, employer identification number (EIN), and a daytime phone number

- A statement of the facts, law, and arguments supporting your position
- A statement indicating whether you are requesting an Appeals Office conference
- The signature of an officer, director, trustee, or other official who is authorized to sign for the organization or your authorized representative
- The following declaration:

For an officer, director, trustee, or other official who is authorized to sign for the organization:
 Under penalties of perjury, I declare that I have examined this request, or this modification to the request, including accompanying documents, and to the best of my knowledge and belief, the request or the modification contains all relevant facts relating to the request, and such facts are true, correct, and complete.

Your representative (attorney, certified public accountant, or other individual enrolled to practice before the IRS) must file a Form 2848, Power of Attorney and Declaration of Representative, with us if they haven't already done so. You can find more information about representation in Publication 947, Practice Before the IRS and Power of Attorney.

We'll review your protest statement and decide if you gave us a basis to reconsider our determination. If so, we'll continue to process your case considering the information you provided. If you haven't given us a basis for reconsideration, we'll send your case to the Appeals Office and notify you. You can find more information in Publication 892, How to Appeal an IRS Determination on Tax-Exempt Status.

If you don't file a protest within 30 days, you can't seek a declaratory judgment in court later because the law requires that you use the IRC administrative process first (IRC Section 7428(b)(2)).

Where to send your protest

Send your protest, Form 2848, if applicable, and any supporting documents to the applicable address:

U.S. mail:

Internal Revenue Service
 EO Determinations Quality Assurance
 Mail Stop 6403
 PO Box 2508
 Cincinnati, OH 45201

Street address for delivery service:

Internal Revenue Service
 EO Determinations Quality Assurance
 550 Main Street, Mail Stop 6403
 Cincinnati, OH 45202

You can also fax your protest and supporting documents to the fax number listed at the top of this letter. If you fax your statement, please contact the person listed at the top of this letter to confirm that they received it.

You can get the forms and publications mentioned in this letter by visiting our website at www.irs.gov/forms-pubs or by calling 800-TAX-FORM (800-829-3676). If you have questions, you can contact the person listed at the top of this letter.

Contacting the Taxpayer Advocate Service

The Taxpayer Advocate Service (TAS) is an independent organization within the IRS that can help protect your

taxpayer rights. TAS can offer you help if your tax problem is causing a hardship, or if you've tried but haven't been able to resolve your problem with the IRS. If you qualify for TAS assistance, which is always free, TAS will do everything possible to help you. Visit www.taxpayeradvocate.irs.gov or call 877-777-4778.

Sincerely,

Stephen A. Martin
Director, Exempt Organizations
Rulings and Agreements