



Department of the Treasury
Internal Revenue Service
Tax Exempt and Government Entities
P.O. Box 2508
Cincinnati, OH 45202

Date:
06/23/2022
Employer ID number:

Form you must file:
Form 1120
Tax years:
All Years
Person to contact:

Release Number: 202237012
Release Date: 9/16/2022
UIL Code: 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 Letter 437, Notice of Intention to Disclose - Rulings, and review the two attached letters that show our proposed deletions. If you disagree with our proposed deletions, follow the instructions in the Letter 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:
Letter 437
Redacted Letter 4034
Redacted Letter 4038



Department of the Treasury
Internal Revenue Service
PO Box 2508
Cincinnati, OH 45201

Date: 4/18/2022

Employer ID number:

Person to contact:

Name:

ID number:

Telephone:

Fax:

Legend:

B = State

C = Date

D = Locality

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 in the state of B on C. Your Articles of Incorporation state that your purpose is to "support local businesses in being prosperous by its members building their businesses through referral networking".

Your members meet weekly to learn about the goods and/or services of other members and support each other's businesses by sharing referrals. Members use these meetings to make qualified referrals to other members, and/or suggest referrals to those they know. You also hold a semi-annual outdoor fair to introduce your various member businesses to the public.

Your membership is limited to _____ per type of business to limit competition. Prospective members apply for membership and are approved by the President/Secretary/Treasurer who ensures there will be no competition created by the addition of the prospective member. Members pay dues quarterly or annually. These dues are your sole source of income.

Law

Section 501(c)(6) of the Internal Revenue Code provides exemption from federal income tax for business leagues, chambers of commerce, real-estate boards, boards of trade, or professional football leagues (whether or

not administering a pension fund for football players), 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 that 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. It is an organization of the same general class as a chamber of commerce or board of trade. 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. An organization, whose purpose is to engage in a regular business of any kind ordinarily carried on for profit, even though the business is conducted on a cooperative basis or produces only sufficient income to be self-sustaining, is not a business league.

Revenue Ruling 59-391, 1959-2 C.B. 151, held that an organization composed of individuals, firms, associations, and corporations, each representing a different trade, business, occupation or profession whose purpose is to exchange information on business prospects has no common business interest other than a mutual desire to increase their individual sales. The activities are not directed to the improvement of one or more lines of business, but rather to the promotion of the private interests of its members and is not exempt under section 501(c)(6) of the code.

Rev. Rul. 73-411, 1973-2 C.B. 180, describes an organization that was not structured along industry or business lines but was composed of various types of businesses and commercial endeavors comprising a shopping center. Therefore, its right to exemption, if any, had to rest on its characterization as a chamber of commerce or board of trade or similar organization. The revenue ruling further indicates that chambers of commerce and boards of trade direct their efforts at promoting the common economic interests of all the commercial enterprises in a given trade community. In the case of a chamber of commerce or similar organizations, the common business interest is usually the general economic welfare of a community. Membership is voluntary and open generally to all business and professionals in the community.

In Indiana Retail Hardware Ass'n., Inc. v. United States, 117 Ct. Cl. 288 (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).

Application of law

You are not described in Section 501(c)(6) of the Code and Treas. Reg. Section 1.501(c)(6)-1 because the facts show you are not formed to promote the common business interests of a particular industry or trade, but rather you are formed to benefit your members' business interests. This is evident by the fact that your membership is restricted to _____ from each profession. Additionally, you have no common business interest other than a desire to increase business leads and prospects of your members as illustrated from the nature of your weekly meetings. Since you have no program designed to improve business conditions along one or more lines of business, you do not qualify under Section 501(c)(6) of the Code.

You are like the organization described in Rev. Rul. 59-391. This is evident by the fact that your members are from different professions who are not in competition with one another. The purpose of your weekly meetings is to provide business referrals for your members. Further, you track referrals and report this information quarterly for your members. This illustrates you have no common business interest other than a desire to increase the business prospects of your members.

Like the organization in Rev. Rul 73-411, you are not structured along any particular industry or business lines. You are composed of various typed of businesses. Therefore, to meet exemption under IRC Section 501(c)(6), you must depend on being characterized as a chamber of commerce. Because your membership is not open to all businesses in your community but only to one business per category, you do not meet the definition of a chamber of commerce within the meaning of Section 501(c)(6) of the Code as explained in this revenue ruling.

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

Your position

Your position is that you promote the general commercial welfare of the residents of D. You state that your activities are not primarily directed to the performance of services for any individual person, but for the benefit of all your members to gain insight and educate each other in order to expand their business. You have weekly speakers on different topics, including tax law changes, employee/employment issues, sub-contractor rules, general marketing, record keeping, financing, and good health practices. The purposes of these weekly speaking events is to allow your members to expand their business and become more successful.

Our response to your position

You failed to provide any additional information from which it can be concluded that you are primarily organized and operated in accordance with IRC Section 501(c)(6). The facts as previously explained show you are restricting membership to one member per individual business industry, which benefits individual members by providing them business referrals and a competitive advantage. This is primary and excludes you from exemption under Section 501(c)(6) of the Code.

Conclusion

Based on the information provided, we conclude that you are not operated as a business league described in IRC Section 501(c)(6). Your activities are not primarily directed to the improvement of business conditions of one or more lines of business nor for the common economic interests of all the businesses in a given trade community as in the case of a chamber of commerce, but rather to the promotion of the private interests of your members as illustrated by the restrictive nature of your membership. Therefore, you do not meet the requirements for exemption under Section 501(c)(6) of the Code.

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