



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

Date:
05/22/2023
Employer ID number:

Form you must file:
1120

Tax years:
All

Person to contact:

Release Number: 202333006
Release Date: 8/18/2023
UIL Code: 501.06-00

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: 3/28/2023

Employer ID number:

Person to contact:

Name:

ID number:

Telephone:

Fax:

Legend:

X = Year

Y = State

Z = Business

r = Number

v = Number

w = Number

UIL:

501.06-00

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 formed on X in the state of Y. Your bylaws state your purpose is to engage in any lawful act or activity for which a corporation may be organized under the Y Nonprofit Mutual Benefit Corporation Law. More specifically, you provide a means to advance the availability/reliability and the operating efficiency of Z power plants. You stated that you have about r power plant facilities, represent over v suppliers, and have more than w members spread over _____ states and _____ countries.

Your bylaws are specifically directed towards the Z land and marine series of gas turbine power plants. You stated that your membership consists of Z land and marine aero derivative gas turbine users, manufactures, and suppliers.

You are supported by original equipment manufacturers and suppliers through their participation in the annual conference and in technical discussions. You were formed to provide members with a forum for the exchange of technical, operational, maintenance information and experience to improve reliability and economic viability of power facilities, and to provide a means to advance the availability/reliability and the operating efficiency of Z aeroderivative gas turbine power plants.

You have different tiers of membership. Active user membership is a voting class available to persons who are directly engaged in full-time operation or maintenance of power plants. Active original equipment manufacturers membership is non-voting class available to persons and businesses in a division of Z Corporation or in original equipment manufacturers who assemble gas turbine packages. Associate membership is a non-voting class available to persons and businesses that are suppliers and vendors who supply support services or materials to the ongoing operations or maintenance of power plants, consultants and vendors who supply engineering services in support of the operation or maintenance of power plants and primary component vendors whose equipment is utilized in the assembly of gas turbine packages.

Your membership applications are submitted by each conference attendee during the registration process. As part of your process, the power plants' name, type of Z engine, and the engine serial number must be provided for the determination of the type of membership. You have stated that all members of the organization must work to support these Z aeroderivative gas turbine power plants. This is whether your members are working at the power plant as maintenance or operations personnel, or otherwise supplying equipment/parts and various engineering/consulting services to the plant.

Law

IRC Section 501(c)(6) provides for exemption from Federal income tax of nonprofit business leagues whose net earnings do not inure to the benefit of any private shareholder or individual.

Treasury Regulation Section 1.501(c)(6)-1 states, in part, a business league is an association of persons having some common business interest, the purpose of which is to promote such common interest. 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.

Rev. Rul. 58-294, 1958-1 C.B. 244, stated that an association is engaged in activities which are ordinarily carried on for profit and since it is engaged in furthering the business interests of the dealers in the particular patented product, rather than the improvement of business conditions of one or more lines of business, it does not qualify for exemption from federal income tax as a business league under IRC Section 501(c)(6).

Rev. Rul. 68-182, 1968-1 C.B. 263, held that an association whose members that were engaged in the bottling and sale of a single franchised soft-drink product, and whose purposes and activities were directed to the more efficient production and sale of that product, qualified for exemption from federal income tax as a business league under IRC Section 501(c)(6).

Rev. Rul. 83-164, 1983-2 C.B. 95, stated that an organization whose members represented diversified businesses that own, rent, or lease computers produced by a single computer manufacturer did not qualify for exemption from federal income tax as a business league under IRC Section 501(c)(6).

In National Muffler Dealers' Association, Inc. v. United States, 565 F.2d 845, 846 (2d Cir. 1977), the court stated that because the association had confined its membership to dealers franchised by one company and its activities to the muffler business, it was not a "business league."

Application of law

You are operated to promote a specific product and limit your membership to those who use that product. This is contrary to the spirit of exemption under IRC Section 501(c)(6).

You are like the organization denied exemption in Rev. Rul. 58-294 because you are also organized and operated for the purpose of promoting a specific product. You are not working to improve a line of business. See Treas. Reg. Section 1.501(c)(6)-1

You are like the organization denied exemption in Rev. Rul. 58-294 because your membership is restricted. All your members must work to support Z aeroderivative gas turbine power plants whether they are working at a power plant as maintenance, operations personnel, or if they are supplying equipment, parts, engineering, or consulting services. This is further demonstrated in Revenue Ruling 83-164 where the organization was denied exemption for the same reason.

You are like the organization in Rev. Rul. 68-182 because you're also organized and operated for the purpose of promoting a specific product, rather than working to improve a line of business.

You are like the organization in the court case, National Muffler Dealers' Association, Inc. v. United States, because you confined your membership to dealers franchised by one company and your activities to the Z turbine business. Thus, the organization is not a business league described under IRC Section 501(c)(6).

Your position

You stated that your primary mission is to provide a technical conference to create a networking environment for your members to share their knowledge and expertise. It is an exchange of information. You exist to organize a technical conference which provides a networking forum to help users better manage their power plants. This exchange of field experience allows your members to redesign and/or reengineer their products and services, leading to the development of best practices procedures. Your implementation of such procedures eventually results in higher availabilities and/or reliabilities of power projects; thus, benefitting the power industry.

The networking environment is created at your annual technical conference where presentations are made by industry leaders and professionals, including, but not limited to equipment suppliers, repair depots, engineering consultants, and end users. This technical conference covers all aspects of the power plant, including regulatory compliance issues, manufacturers, and support vendors. This sharing of information is for the benefit of the power industry and all who are involved in the operations and maintenance of mainly aeroderivative gas turbine power plant projects, regardless of the member's company or affiliation.

Your source of revenue is from membership fees received from the members who attend the technical conference. These fees received from the conference are then used to cover the cost of the conference and administrative expenses. Any profit from conferences is used to offset future conferences. All your board members and officers are non-paid volunteers.

Your membership is inclusive of all the power industry, including all companies supporting all aspects of power plant projects. You have noted in your statement that a power plant is comprised of many moving parts, consisting of many different manufacturers and various brands; no single brand can produce a power plant. Thus, your membership can be attained by any individual or company contributing to the entirety of the power plant.

Our response to your position

An organization helping provide a competitive advantage to a business and to its customers at the expense of competitors and their customers and promoting a segment of a line of business rather than a line of business does not comply with the requirements for IRC Section 501(c)(6).

Your bylaws are specifically directed towards the Z land and marine series of gas turbine power plants. Your membership applications are submitted by each conference attendee during the registration process. As part of your process, the power plans' name, type of Z engine, and the engine serial number must be provided for the determination of the type of membership. You have stated that all members of the organization must work to support these Z aeroderivative gas turbine power plants.

You do not serve a line of business. Your bylaws and membership process show that you serve only business or groups that have license to a specific product.

Conclusion

You do not qualify for exemption under IRC Section 501(c)(6). Your activities and operations are not directed to the improvement of business conditions of one or more lines of business as a whole. Rather, you are serving a specific segment of a line of business. This aspect precludes you from exemption under 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