

## Internal Revenue Service

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Department of the Treasury  
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Person To Contact:  
, ID No.

Telephone Number:

Refer Reply To:  
CC:EEE:EOET:EO3  
PLR-107159-25

Date:  
September 18, 2025

## LEGEND

Year =  
State =

Dear :

This letter responds to a letter from your authorized representative dated March 10, 2025, requesting a ruling under section 115(1) of the Internal Revenue Code.<sup>1</sup>

## FACTS

Taxpayer was established in Year as a nonprofit corporation and was subsequently granted recognition of its tax-exempt status under section 501(c)(4). Taxpayer's primary mission is to enhance the efficiency and performance of county governments in State, which includes strengthening the leadership and decision-making skills of county officials. In pursuit of this mission, Taxpayer promotes and supports intercounty collaboration, organizes educational events such as seminars and conferences, and produces a regularly published magazine. It also offers a range of programs and services designed to help counties serve their residents effectively. According to State law, Taxpayer is the only county-focused organization permitted to collect dues and service fees from State counties.

According to its articles of incorporation and bylaws, Taxpayer's stated purpose is to support and strengthen county governments throughout State. To carry out its mission, it offers services, including legal guidance, education and training, and support in

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<sup>1</sup> Unless otherwise noted, all section references are to the Internal Revenue Code of 1986, as amended (the "Code").

legislative matters. It also develops and delivers a variety of programs and services that help counties meet their statutory and administrative responsibilities to their communities and employees. Examples of these programs include group health insurance, HIPAA compliance training, technology consulting, and pooled property and casualty insurance.

Under Taxpayer's governing documents, all counties in State are members of Taxpayer and are required to pay standardized annual dues. General members are granted voting rights and participate in decisions during annual and special meetings on matters such as dues, budget planning, and legislative priorities. Each voting representative is a current county official, or employee designated by their county to act on its behalf.

Taxpayer is governed entirely by a board of directors, which holds complete authority over Taxpayer's operations and assets. The board has the exclusive power to hire and terminate the executive director. The executive director reports directly to the board. The board is composed of county officials, each representing one of several affiliated associations of county officials and employees. These affiliated associations correspond to the principal functions of county governments in State, such as associations of county sheriffs, auditors, treasurers, engineers, supervisors, and other officials. Each affiliated association may appoint a board member either through elections or via designation by its governing body. To serve as a director, an individual must be a current county official or employee.

The majority of Taxpayer's revenue is provided by county governments, primarily through membership dues and service-related fees. These payments are reviewed and approved by county supervisors.

Under Taxpayer's articles of incorporation, no part of Taxpayer's net earnings may inure to the benefit of, or be distributable to, any private shareholder, individual, or private interest. Upon dissolution, Taxpayer's assets, after all debts and liabilities have been satisfied, must be distributed to State, a political subdivision of State, or organizations the income of which is excludable from gross income under section 115(1).

### **RULING REQUESTED**

Taxpayer's income is excludable from gross income under section 115(1) because Taxpayer's income is derived from its exercise of an essential governmental function and such income accrues to a state or political subdivision thereof.

### **LAW AND ANALYSIS**

Section 115(1) provides that gross income does not include income derived from any public utility or the exercise of any essential governmental function and accruing to a state or political subdivision thereof.

In Rev. Rul. 77-261, 1977-2 C.B. 45, the Internal Revenue Service ruled that income generated by an investment fund established by a state for the temporary investment of cash balances of the state and its political subdivisions is excludable from gross income under section 115(1) because such investment constitutes an essential governmental function and the fund's income accrues to the state and political subdivisions thereof. The ruling explains that section 115(1) is intended to apply not to the income of a state or municipality resulting from its own participation in activities, but rather to the income of an entity engaged in the operation of a public utility or the performance of some governmental function that accrues to a state or political subdivision thereof.

In Rev. Rul. 90-74, 1990-2 C.B. 34, the Internal Revenue Service ruled that the income of an organization formed, funded, and operated by political subdivisions to pool their casualty risks or other risks arising from obligations concerning public liability, workers' compensation, and employees' health is excludable from gross income under section 115(1) because: 1) pooling risks of political subdivisions constitutes an essential governmental function; 2) except for certain incidental benefits, private interests do not participate in or benefit from the organization; and 3) the organization's income accrues to political subdivisions.

By improving the efficiency and effectiveness of county governments in State, Taxpayer performs an essential governmental function. See Rev. Rul. 90-74 and Rev. Rul. 77-261. Taxpayer's income is excludable from gross income under section 115(1) because it is derived from the exercise of an essential governmental function and accrues to a state or political subdivision thereof for purposes of section 115(1). Private interests do not participate in, or benefit from, Taxpayer's operations more than incidentally. In no event, including upon dissolution, will Taxpayer's assets be distributed or revert to any entity that is not a state, a political subdivision of a state, or an entity whose income is excludable from its gross income under section 115(1).

### **RULING**

Taxpayer's income is excludable from gross income under section 115(1) because Taxpayer's income is derived from its exercise of an essential governmental function and that income accrues to a state or political subdivision thereof.

The ruling contained in this letter is based upon information and representations submitted by or on behalf of Taxpayer and accompanied by a penalty of perjury statement executed by an individual with authority to bind Taxpayer and upon the understanding that there will be no material changes in the facts. See Rev. Proc. 2025-1 § 7.01(16), 2025-1 I.R.B. 1. This office has not verified any of the materials submitted in support of the request for this ruling, and such materials are subject to verification on examination. The Associate Chief Counsel (Employee Benefits, Exempt Organizations, and Employment Taxes) will revoke or modify a letter ruling and apply the revocation retroactively if: 1) there has been a misstatement or omission of controlling facts; 2) the facts at the time of the transaction are materially different from the controlling facts on

which the letter ruling was based; or 3) the transaction involves a continuing action or series of actions and the controlling facts change during the course of the transaction. See Rev. Proc. § 11.05, 2025-1 I.R.B. 1.

This letter does not address the applicability of any section of the Code or regulations thereunder other than those sections specifically described. Except as expressly provided herein, no opinion is expressed or implied concerning the federal tax consequences of any fact or issue discussed or referenced in this letter.

This letter is directed only to Taxpayer. Section 6110(k)(3) provides that it may not be used or cited as precedent.

In accordance with the Power of Attorney on file with this office, a copy of this letter will be sent to Taxpayer's authorized representative.

A copy of this letter must be attached to any income tax return to which it is relevant. Alternatively, if Taxpayer files its returns electronically, Taxpayer may satisfy this requirement by attaching a statement to its return that provides the date and control number of this letter.

Sincerely,

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Kenneth Griffin  
Branch Chief, Exempt Organizations Branch 3  
(Employee Benefits, Exempt Organizations, and  
Employment Taxes)

cc: