



Department of the Treasury
Internal Revenue Service
Tax Exempt and Government Entities

Date:
12/12/2025
Employer ID number:

Form you must file:

Tax years:

Person to contact:

Release Number: 202610019
Release Date: 3/6/26
UIL Code: 501.00-00, 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

Date:
10/21/2025
Employer ID number:

Person to contact:
Name:
ID number:
Telephone:
Fax:

Legend:

B = State
C = Date
D = Brand
E = Franchisor

UIL:

501.00-00
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 501(c)(6)? No, for the reasons described below.

Facts

You were formed as a corporation on C in B. According to your Articles of Incorporation, your purposes are to encourage productive dialogue between D franchisees and their franchisor, E, and to facilitate and promote the exchange of business information and best practices among D franchisees. Similarly, your bylaws state that you will enhance the economic interests of your members and promote and foster the overall interests and goodwill of D's brand.

Your bylaws also state that members must possess a current license(s) in good standing to own and operate one or more D franchises within the United States, timely pays all dues or other consideration required, and not possess any former or current affiliation to or ownership interest in E. Each member is entitled to one vote for each of the D franchises they own, which makes them eligible to vote in all elections and on all matters submitted to members, and such other assistance, support or services which you may provide or commission others to provides your members.

Your application states that you are a business league. Services you perform or will perform for members include newsletters, updates and other such non-confidential information as regularly disseminated to members, invitations to attend association-sponsored conventions, events, and general and annual meetings. You will also grant members the ability to vote in all elections and on all matters submitted to members, and provide other

assistance such as support or services which you may provide or commission others to provide to your members.

Membership is contingent on being a D franchisee and paying membership fees, dues, and special assessments. You stated that you formed as a franchisee association as a direct result of E dramatically increasing your franchise fees and that you are actively trying to reduce such fees. You are working to have a means with which to negotiate on the behalf of your paid members.

You will be supported by membership fees, dues, and special assessments.

Law

IRC Section 501(c)(6) provides for exemption from federal income tax of business leagues, chambers of commerce, real estate boards, boards of trade, or professional football leagues, 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. For exemption purposes, a line of business is a trade or occupation, entry into which is not restricted by a patent, trademark, or similar device which would allow private parties to restrict the right to engage in the business. A "segment" of a line of business is not considered a line of business under IRC Section 501(c)(6).

Revenue Ruling 56-65, 1956-1 CB 199, holds that a local organization that principally furnishes particular information and specialized individual service to its individual members engaged in a particular industry, through publications and other means to effect economies in the operation of their individual businesses is performing particular services for individual persons. Such organization, therefore, is not entitled to exemption from federal income tax under IRC Section 501(c)(6).

Rev. Rul. 58-294, 1958-1 C.B. 244, holds that an association of licensed dealers in a certain type of patented product did not qualify as a business league. The association in this ruling owned the controlling interest in the corporation that held the basic patent of the product, it engaged mainly in furthering the business interests of its member dealers, and it did not benefit businesses that manufactured competing products of the same type covered by the patent.

Rev. Rul. 67-295, 1967-2 C.B. 197, holds that an organization composed of businessmen may qualify for exemption under IRC Section 501(c)(6) where its activities are limited to holding luncheon business meetings devoted to discussion, review, and consideration of the various problems in a particular industry, and are directed to the improvement of business conditions as a whole.

Rev. Rul. 67-77, 1967-1 C.B. 138, ruled that an association of dealers selling a particular make of automobile that engaged in financing general advertising campaigns to promote the sale of that particular make was not exempt because it was performing particular services for its members rather than promoting a line of business, i.e., the automotive industry as a whole. In this ruling, membership in the organization was restricted to dealers

who held franchises for the sale of the automobiles designated in the area.

Rev. Rul. 68-182, 1968-1 C.B. 263, held that the Service will not in similar cases follow the decision in *Pepsi-Cola Bottlers' Association, Inc. v. United States*, 369 F.2d 259 (7th Cir. 1966). It is the position of the Service that organizations promoting a single brand or product within a line of business do not qualify for exemption from federal income tax under Code section 501(c)(6).

In *American Automobile Association v. Commissioner*, 19 T.C. 1146 (1953), the Tax Court held that the American Automobile Association, a national association of individual auto owners and affiliated auto clubs, did not qualify as a business league because the Association's principal activities consisted of securing benefits and performing particular services for members.

In *National Muffler Dealers Association v. United States*, 440 U.S. 472 (1979), the Supreme Court held that an association of a particular brand name of muffler dealers did not qualify for IRC Section 501(c)(6) status because it was not engaged in the improvement of business conditions of a line of business. This effectively settled the "line of business" issue.

In *National Prime Users Group, Inc. v. United States*, 667 F. Supp. 250 (D.C. Md. 1987), the court held that an organization that served the needs of users of a specific brand of computer promoted only a segment of a line of business and was not exempt under IRC Section 501(c)(6).

In *Guide International Corporation v. United States*, 948 F.2d 360 (7th Cir. 1991), the court concluded that an association of computer users did not qualify for exemption under IRC Section 501(c)(6) because it essentially benefited users of I.B.M. equipment.

Application of law

You are not described in IRC Section 501(c)(6) because you do not improve business conditions of one or more lines of business. Rather, you are organized to perform particular services to your members, who are owners of D franchises, which is not an exempt purpose described in Section 501(c)(6).

You are not as described in Treas. Reg. Section 1.501(c)(6)-1 because you are performing particular services for the benefit of owners of a particular franchise rather than the improvement of business conditions of one or more lines of business. D franchisees do not constitute a line of business.

You are similar to the organization described in Rev. Rul. 56-65 in that you are organized to provide particular services to your members. You will negotiate lower franchise fees for D franchise owners and facilitate and promote the exchange of business information and best practices among franchise owners of D. An organization that performs particular services for its members is not exempt from federal income tax under IRC Section 501(c)(6).

You are similar to the non-exempt organizations described in Rev. Rul 58-294 and 67-77 because you are operating to advance the business interests of D franchisees. This is made apparent by the fact that your membership is confined to only those that possess a license to own a D franchise. Any resources or information that you will provide is exclusively for your members, who must be an owner of D franchise.

You are dissimilar to the exempt organization described in Rev. Rul. 67-295, because your purposes are not directed to the improvements of business conditions in a particular industry. Your newsletters, updates, disseminated information, and access to conventions does not address issues of a particular industry. Rather, these resources only address the issues related to the operations of your members' individual franchise businesses.

You are like the organization discussed in Rev. Rul. 68-182, in that you are promoting a single brand or product within a segment of a line of business. Your activities serve to advance the economic interests and goodwill of D brand and their franchisees. Organizations promoting a single brand or product within a line of business do not qualify for exemption under IRC Section 501(c)(6).

You are similar to the organization in National Muffler Dealers Association in that your membership is confined to franchisee owners of D to advance the operations of your members' individual franchise businesses. Your members' individual franchise businesses don't constitute a line of business as described in IRC Section 501(c)(6).

You are similar to the organizations described in American Automobile Association, National Prime Users Group, Inc., and Guide International Corporations in that you too will promote a single brand rather than promoting the entire industry. You are organized to serve as convenience or economy to your members in the operation of their individual franchise businesses. Because you only make attempts to improve the business conditions of D franchisees, a segment line of business, you are precluded from exemption under IRC Section 501(c)(6).

Your position

When we explained that it didn't appear that you qualify for exemption under IRC Section 501(c)(6), you sent a letter stating that you were requesting recognition of exemption under Section 501(c)(5). Later you sent a similar request stating that you were requesting recognition of exemption under Section 501(c)(7). However, you didn't provide any other details or information about how you would qualify for either Section 501(c)(5) or Section 501(c)(7). You didn't alter your request for exemption under IRC Section 501(c)(6) on Form 1024 or provide the applicable schedule for either Section 501(c)(5) or 501(c)(7).

Our response to your position

You provided no details aside from a statement saying you wanted to request exemption under IRC Section 501(c)(5), and then later to changed your request to Section 501(c)(7). The only actual complete request you submitted was the initial request for exemption under Section 501(c)(6), for which you submitted on Form 1024 and the applicable schedule. For your single application request and user fee, only one ruling can be made, which is for exemption under Section 501(c)(6). Because your request for exemption under Section 501(c)(6) was the only complete request, that is the basis of this ruling.

Conclusion

Based on the facts presented above, you do not qualify for exemption under IRC Section 501(c)(6). Your membership is confined to owners of D franchises, all of your activities constitute particular services to members, as related to the promotion of D brand. The D franchise doesn't constitute a line of business. Accordingly, you do not qualify for exemption as an organization described in 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