



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

Date:
01/09/2026
Employer ID number:

Form you must file:

Tax years:

Person to contact:
Name:
ID number:
Telephone:

Release Number: 202614030
Release Date: 4/3/26
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

Date:
10/20/2025

Employer ID number:

Person to contact:

Name:

ID number:

Telephone:

Fax:

Legend:

C = State

D = Date

E = Name

F = Name

G = Time

H = Organization

J = Name

k dollars = Dollars

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 in the State of C on D. Your Certificate of Incorporation states that your purpose is to provide education and training in giving and receiving productive referrals among your members.

Your Bylaws indicates you also operate as Doing Business As (DBA) E. Per your Bylaws, your purpose is the exchange of productive business referrals. Each member is the sole representative of his or her business category. You're a Nonprofit Mutual Benefit Corporation dedicated to increasing the quality and frequency of business referrals for each member. Each member represents a specific occupation during E activities, and, during E activities, may promote only that specific occupation. During E activities, a member may not promote an occupation that he or she is not representing, and a prospective member is not eligible for membership if the occupation that he or she wishes to represent in E is already represented by an existing member. Exceptions are limited to professions having on title with multiple specialties, such as doctors and attorneys. In such cases, the occupation being represented is the more specialized sub-classification. Multi-level marketing organizations,

referral organizations, and similar organizations that could create conflict of interest with existing or future E members are not allowed to join.

According to your description of activities on your application, your members meet weekly at a local restaurant. A Zoom link is also available to attend remotely if a member is out of town or slightly ill. In these meetings, a member F discusses his or her business or personal display and teases information for the following week as a speaker. A member speaker has a presentation with or without visual aids and takes questions from other members and/or guests. Each member and guest have approximately G to present themselves and their business, and how best to refer clients to them. You also have between one and three business mixers each year to promote the group and expand your membership. These mixers occur at a member's business location. Raffle gift cards or discounted membership application to prospective new members would sometimes be included.

You're currently a member of the H. The group was previously a member of three local Chambers of Commerce. You participated in H's event J, where chamber members set up booths to promote their businesses and organizations. Individual members sometimes attend the chamber events as your representative. Some of your members are also members of H with their business memberships and have been chamber ambassadors.

You have an annual contest to bring potential new members and focus on bringing new business to your membership. Members are divided into teams, and points are awarded for performing various actions to encourage prospective members to join, including: attendance, wearing a name badge, bringing a card caddy, giving business leads, and bringing guests. Gift cards are awarded at the end of the contest. This event is held during regular meetings. You also hold a holiday party at the end of every year where members and their families can celebrate the year. A white elephant game is played with gifts from members if they choose to participate.

According to your website, you focus on building a networking community, helping your members grow their business. Your goal is to grow members business through the exchange of productive referrals. Each member is the sole representative of his or business category. Through the use of referrals among and between members, your members are able to expand the reach of their businesses and capture a greater number of potential customers. Some of your members have been doing business together for years with hundreds of thousands of dollars in sales annually created through networking within the group. You have become the leader in referral marketing. You provide your members an environment that enables them to surround themselves with people who want to help them succeed. You give them opportunity to speak in front of their peers in a professional setting, allowing them to gain confidence in public speaking. Your members are recommended to pass on average, four qualified referrals each month. There must be an open category for their business as conflicts of interest are not allowed.

We requested additional information to supplement your application. In response to our questions, you indicated you utilize referral slips that enable you to see who made the referral, to whom referral was made, and how to contact the potential new client, and the dollar value of that potential referral, if available. The referral slip also allows you to see if the referral was an "inside: referral made by a current group member, a member of their household, or an "outside" referral for a potential new client who has no ties to the group.

Members are required to provide a minimum of four referrals per month. Referrals may be made by email or telephone, but they are memorialized on your referral slips collected at the meetings. A member may have three referrals one week and none the next. You make it easy to make referrals by reminding each member what you

do and what a good referral is. You have a nominal penalty if a member cannot meet the minimum number of monthly referrals. That penalty is k dollars per referral under the minimum of four per month. Membership is terminated if referrals are not made, and penalties are not paid. Members do not receive fees in exchange of referrals, nor do they receive payments for referring business to each other.

During your weekly meetings, your members discuss recent developments in their respective professions and share information on how they manage and maintain their businesses. This includes recent developments in technology, social media, online security and different forms of advertising. Your common business interests are sharing information about the business climate in your local geographical area and having trusted professionals they can rely on for industry-specific information and referring potential new clients to each other. You also mentor new members who are sometimes just starting a new business.

You state that each business representative promotes their own business, and you have only one representative in any business category so as not dilute business prospects. If there is actual overlap of business categories, they can only advertise within the group about a single designated category. For example, one family law attorney, one personal injury attorney, and a plumber only, not plumbing and heating. You stated that your common interest is having a group of trusted professionals who can be a resource of information for each other and their respective clients. You promote good business relationships and practices in the community at large.

In your response you clarify that your group is still a member of H. Your individual members are not members of the H unless they join individually. You make clear to prospective members that attendance at H's events is as your member. Some of your members have separate membership in H and can then promote their own businesses under their own membership. You meet weekly to discuss trends in businesses and speak or make presentation to the group. You try to learn about each other on a personal level, which facilitates trust between members and the knowledge you gain from each other. You state that H is more of a surface-level organization, and a much larger organization.

Law

Internal Revenue Code (IRC) Section 501(c)(6) provides exemption from Federal income tax for business leagues not organized for profit, and no part of the earnings of which inures to the benefit of any private shareholder or individual.

Treas. Reg. 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 engage in a regular business other kind ordinarily carried on for profit. The Regulations further state that the activities of a business league should be directed to the improvement of business conditions in one or more lines the business as distinguished from the performance of particular services for individual members. An organization whose purposes is to engage in a regular business of a 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 IRC section 501(c)(6).

In Rev. Rul. 70-244, 1970-1 C.B. 132, the organization's membership consists of business and professional persons in the community. Its articles of incorporation state it was formed to bring together members and their guests to exchange ideas for improving business conditions within the community. It does not have any specific program directed to the improvement of business conditions in the community. Since this organization has no program designed to improve business conditions of one or more lines of business, it is held that the organization is not exempt from federal income tax under IRC Section 501(c)(6).

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 Assn., 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're not described in IRC Section 501(c)(6) and Treas. Reg. Section 1.501(c)(6)-1 because you are not formed to promote the common business interest of a particular industry, or trade, but rather you are formed to benefit your members' business interests. This is evidenced by the fact that your membership is restricted to one representative from each profession. You also 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 your program's purpose isn't to improve business condition along one or more lines of business, you don't qualify to be exempt under Section 501(c)(6).

You are like the organization described in Rev. Rul. 59-391. Your members are from different professions who are in competition with one another. The purpose of your weekly meeting is to provide business referrals for and among your members. Further, you track referrals and if your members don't provide a minimum of four referrals per month, they're penalized. That penalty is a fee of k dollars per referral under the minimum of four per month. Also, membership will be terminated if referrals are not made, and penalties are not paid. This illustrates that 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 specific industry or business lines. You are composed of various types of businesses. Therefore, to meet exemption under IRC Section 501(c)(6), you must depend on being characterized as a chamber of commerce. You have only one representative in any business category, and a prospective member is not eligible for membership if the occupation that he or she wishes to represent is already represented by an existing member, with the exception to professions having one title with multiple specialties, such as Doctors and Attorneys. 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) as explained in this revenue ruling.

Similarly to the organization in Rev. Rul. 70-244, you do not have specific program directed to the improvement of business conditions in the community, and you limit your membership to one member of each type of business. Your members weekly meetings provide referral to each other's businesses. Since you don't have any programs designed to improve business conditions of one or more lines of business, but instead referral opportunities for members, you do not qualify for exemption under IRC Section 501(c)(6).

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 the community as whole. Instead, you serve the private interest of your members.

Conclusion

Based on the facts and circumstances presented, you are not operated as a business league described in IRC Section 501(c)(6). Your activities are not primarily directed toward the improvement of business conditions of one or more lines of business, nor for the common economic interests of all business in a given trade community as in the case of a chamber of commerce, but rather for the private interests of your members as shown by the restrictive nature of your membership. Therefore, you do not meet the requirements for 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