



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

Date:
06/29/2026
Employer ID number:

Form you must file:

Tax years:

Person to contact:

Release Number: 202639004
Release Date: 9/25/26
UIL Code: 501.06-00, 501.06-02

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.

We sent a copy of this letter to your representative as indicated in your power of attorney.

Sincerely,

Stephen A. Martin
Director, Exempt Organizations
Rulings and Agreements

Enclosures:
Letter 437
Redacted Letter 4034
Letter 4038

cc:



Department of the Treasury
Internal Revenue Service

Date:
04/29/2026
Employer ID number:

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

Legend:

M = State
N = Date
P = Company
Q = City
R = Date
S = Date
x dollars = dollar amount
y dollars = dollar amount

UIL:
501.06-00
501.06-02

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 under the state law of M on N. Your purpose as stated on the Articles of Incorporation is "promoting the education of the American public in early-stage investment opportunities, entrepreneurial endeavors and business conditions for early-stage companies, primarily in the State of M, but including companies in other locations."

You are a wholly owned subsidiary of P, a non-profit venture development organization, whose mission is to accelerate the growth of early-stage innovative businesses into venture ready companies by providing capital, coaching and connection to high growth scalable companies in M, with an emphasis on supporting companies in the Q area that are founded by women, people of color and veterans. P members are accredited investors, or "_____", located in the greater Q area.

You recruit Q based angel investors and organize P investors as a network to identify, vet, and then aggregate the investment capital of your members to fund early-stage companies in Q and throughout M. In addition to capital, your members provide coaching and connections to support and grow their portfolio companies.

You state your common business interest is to continue what P started by working together to further the common mission of the two entities to create high growth companies that create jobs, generational wealth, diversify your economy and increase the tax basis which will improve your community and will help grow the Q/M entrepreneurial ecosystem.

You seek to identify M based high growth companies who are raising capital and then have those companies pitch to your members on a quarterly basis. If, after the pitch there is enough interest in the company, you assemble a team of members to do due diligence on the company and then present the findings to your members. At that time, each member decides if they want to personally invest their own money in the company. Each member will execute the closing documents with the company and if there is an exit, the invested members will receive a return. One company that your members invested in was acquired by a private equity company, thereby giving the investing members a substantial return on their money.

Since your incorporation, your members have partnered with several start-up companies and have invested a total of x dollars as of R. Your members invest in companies that have a product/service that addresses a critical pain point for a large market, a high-growth business model, demonstrates an ability to raise significant follow-on capital, and a strong management team. They do not invest in lifestyle and capital-intensive businesses. Your members are plugged into venture capital funds, universities, incubators and accelerators, and other angel network funds throughout the state to source the best investment opportunities.

To become a member, a person must submit an application and a member of your board of directors will follow up with them. Applicants must be an accredited investor, as defined by the Securities and Exchange Commission (SEC). Once someone becomes a member, they must pay annual dues to cover your operating expenses and must make a minimum of one investment per year. The minimum capital required per investment is y dollars.

Benefits to your members include:

- Regular meetings and networking with a group of committed angel investors and community leaders from both the Q and other M areas.
- Access to investing in the top emerging businesses in M and around the country.
- Opportunities to work with and receive insight from domain experts from across a broad range of industries in collectively doing due diligence, negotiating terms, and portfolio mentoring companies.
- Educational sessions led by knowledgeable speakers and moderators.

Law

IRC Section 501(c)(6) provides for the 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 provides 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.

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, is not exempt under IRC Section 501(c)(6). It was organized for the purpose of exchanging information on business prospects and its members had no common business interest other than a desire to increase their individual sales.

Rev. Rul. 70-641, 1970-2 C.B. 119, held that an organization of individuals from various professions in the field of public health and welfare organized to develop greater efficiency in the professions and solve common problems qualifies for exemption under IRC Section 501(c)(6).

Rev. Rul. 73-411, 1973-2 C.B. 180, provides, "a chamber of commerce or board of trade must be one whose efforts are directed at promoting the common economic interests of all the commercial enterprises in a given trade community."

In Crooks v. Kansas City Hay Dealers' Ass'n, 37 F.2d 83, 85 (8th Cir. 1929), the court found that an organization promoting uniformity in the Kansas City hay markets and facilitating conflict resolution among dealers promoted the general welfare of hay dealers. Additionally, it defined a chamber of commerce as "a society of the principal merchants and traders of a city who meet to promote the general trade and commerce of the place."

In Northwestern Jobbers Credit Bureau v. Commissioner, 37 F.2d 880, 883 (8th Cir. 1930), the court decided that businesses receiving necessary services, without paying, constitutes inurement.

In Produce Exchange Stock Clearing Association v. Commissioner, 71 F.2d 142, 144 (2nd Cir. 1934) the court contrasted a securities exchange from the above case because it assists individual traders rather than promoting business standards for a particular industry.

In Retailers Credit Ass'n of Alameda County v. Commissioner, 90 F.2d 47 (9th Cir. 1937), the court held that if an association is a business league, and has proper purposes without prohibited ones, then, if it operates in conformity to the statute and regulations construing it, the association is entitled to exemption. The purpose of the business league must not be to engage in a regular business of a kind ordinarily carried on for profit unless this activity is only incidental or subordinate to its main purpose. Each case must stand on its own facts. Additionally, the court denied exemption under IRC Section 501(c)(6) because the organization engaged in activities ordinarily carried on for profit to a degree that was not merely incidental and rather indicated nonexempt purposes. The activities included supplying information to creditors to help to avoid losses, providing collections services, and educating purchasers to purchase based on his/her ability to pay. While the organization stated that promoting a more efficient credit business was its main purpose; the court found that the listed activities constituted its main purpose and was not incidental.

In Northwestern Municipal Association, Inc. v. United States, 99 F.2d 460 (8th Cir. 1938), the Eighth Circuit held that an organization of investment brokers, whose purpose was to represent the interests of municipal bondholders, and which was formed to perform services members would have been required to perform themselves in making bond investments, was not exempt under IRC Section 501(c)(6) because the organization's primary activities were found to constitute the performance of particular services for individual persons. Additionally, the court stated that “the term ‘net earnings’ may include more than the term net profits as shown by the books of the organization. . . [and] profits may inure to the benefit of shareholders in other ways than in dividends.” It found that an organization representing holders of municipal securities and enforcing the obligations due to the holder produces net earnings that inure to a private shareholder or individual.

In National Muffler Dealers Ass’n, Inc. v. United States, 440 U.S. 472 (1979), the Supreme Court defined “line of business” as used in Treas. Reg. Section 1.501(c)(6)-1, to mean either an entire industry or all components of an industry within a geographic area.

In Engineers Club of San Francisco v. United States, 791 F.2d 686 (9th Cir. 1986), the court concluded that in order to qualify for a business league classification, each and every requirement of Treas. Reg. Section 1.501(c)(6)-1 must be met.

In Bluetooth SIG Inc. v. United States, 611 F.3d 617 (9th Cir. 2010), the court distilled Treas. Reg. Section 1.501(c)(6)-1 into a six-factor test, which requires a business league to be an association (1) of persons having a common business interest; (2) whose purpose is to promote the common business interest; (3) not organized for profit; (4) that does not engage in a business ordinarily conducted for profit; (5) whose activities are 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; (6) of the same general class as a chamber of commerce or a board of trade.

Application of law

IRC Section 501(c)(6) sets forth criteria for qualifications for exempt status as a business league. Furthermore, a business league must be described in Treas. Reg. Section 1.501(c)(6)-1. Moreover, Bluetooth Sig Inc. distilled Treas. Reg. Section 1.501(c)(6)-1 into a six-factor test and Engineers Club of San Francisco concluded that in order to qualify for a business league classification, each and every requirement of Treas. Reg. Section 1.501(c)(6)-1 must be met.

You identify, vet, and then aggregate the investment capital of your members to fund early-stage companies. Your members are accredited investors, as defined by the SEC. You identify high growth companies who are raising capital, do due diligence on these companies, and then present these findings to your members. Your purpose is to furnish information to prospective investors, to enable them to make sound investments. Treas. Reg. Section 1.501(c)(6)-1 clearly states that your type of organization is not a business league.

Association of persons having a common business interest

To meet this requirement, there are three components that need to be met. Whether there is (1) an association, (2) some common business interest, and (3) a bona fide membership. Your members do not have a common business interest, rather their purpose is to promote their private interests.

After you present your findings on what you think are the best investments, each member decides if they want to invest their own money. Each member executes the closing documents with the companies they invest in, and if there is an exit, the invested members will receive a return. One company that your members invested in was acquired by a private equity company, thereby giving the investing members a substantial return on their money.

You are like the organization described in Rev. Rul. 59-391, which was denied exemption under IRC Section 501(c)(6), because your members have no common business interest other than a desire to increase their return on investments. Contrast this with Rev. Rul. 70-641, where an organization was granted exemption under Section 501(c)(6). The members of this organization promoted their common business and professional interests by increasing the effectiveness of their interactions, by developing greater efficiency, and by solving problems common to the professions of public health and welfare.

Not engaged in regular business ordinarily conducted for profit

To meet this requirement, there are two conditions that need to be met. See Retailers Credit Ass'n of Alameda County. If you meet the first condition, then we also consider the second condition.

The first condition considers two aspects of the language of your governing documents. The first aspect is whether you have a proper purpose. A proper purpose promotes a common business interest. The second aspect is whether you have a prohibited purpose. A prohibited purpose expressly authorizes you to conduct a regular business of a kind ordinarily carried on for profit.

The second condition considers whether your activities or operations constitute that your primary purpose is to conduct a regular business of a kind ordinarily carried on for profit. Providing investment advice to individuals with the goal of maximizing return on investment is an activity that is a regular business of a kind ordinarily carried on for profit.

Activities are 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

To meet this requirement, two parts need to be met. The first part is whether you are improving the business conditions of one or more lines of business. In National Muffler Dealers Ass'n, Inc., the Supreme Court defined "line of business" as used in Treas. Reg. Section 1.501(c)(6)-1, to mean either an entire industry or all components of an industry within a geographic area.

You provide investment advice to your members to help them maximize their return on investments. Each member gets to decide on which companies they want to invest in, and if there is an exit, only the invested members will receive a return. This is not improving business conditions in an entire industry. Although, most investments are made in the M area, this is not improving business conditions of all components of an industry within a geographic area. Rather, you are performing particular services for individual persons as discussed below.

The second part is whether you are performing particular services for individual persons. In general, a particular service is an activity that serves as a convenience or economy to members in the operation of their businesses. A particular service assists members in the pursuit of their individual businesses rather than advance the members' interests generally, by virtue of their membership in the industry. We also consider whether the activity is directly related to the members' businesses or is merely an extension of those businesses and whether

the activity is something the members could do for themselves.

Providing sound investment advice to your members, who are accredited investors, as defined by the SEC, is providing a convenience or economy to your members in the operation of their businesses. When a member decides to invest in a company, this is pursuing their individual business rather than advancing all your members' interests generally. You are like the organization described in Northwestern Municipal Association, Inc. because your purpose is to represent the individual interests of your members by providing services they would have been required to perform themselves in making investments. These types of activities were found to constitute the performance of particular services for individual persons.

Your position

On S, you sent a letter with a revised Form 1024 which contains the same information as your original Form 1024, including the same signature date, with the exception of a modified response to Part III, Question 1.

You now represent that you will identify promising early-stage companies in Q and other areas of M. Companies will present business plans to your members who will give recommendations to help the companies to grow. There will no longer be any direct financial investment. You state that you will be like a chamber of commerce or business league servicing early-stage companies.

Our response to your position

Based on your new information, we will address the six-part test as described in Bluetooth Sig Inc. Each part must be met to qualify for IRC Section 501(c)(6) per Engineers Club of San Francisco.

Association of persons having a common business interest

You are like the organization described in Rev. Rul. 59-391 because you are also composed of individuals from different professions. You identify and mentor promising startups across any industry. You are unlike the organization described in Rev. Rul. 70-641 because you do not limit your services to one field.

You are not like Crooks, which promoted industry wide standards, because you do not promote uniformity in a particular industry, rather you assist individual startup companies that you deem promising. You are like Produce Exchange Stock Clearing Association because you promote the business interests of the individual startup companies rather than promoting business standards for a particular industry.

Not engaged in regular business ordinarily conducted for profit

You are like the organization described in Retailers Credit Ass'n of Alameda County because your main purpose of connecting promising startups to mentors is an activity that is generally carried on for profit. Examples of this include "www.growthmentor.com" that allows startup companies to subscribe to the website and have access to calls with mentors listed on the site. Also, "www.intro.com" allows startup companies to book calls with CEOs and founders of various successful companies for a specified amount per session. These examples demonstrate that there is a business market for startups obtaining advice from successful business people.

Activities are 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

In National Muffler Dealers Ass’n, Inc., the Supreme Court defined “line of business” as used in Treas. Reg. Section 1.501(c)(6)-1, to mean either an entire industry or all components of an industry within a geographic area. You do not service an entire industry; rather, you service a broad array of startup companies throughout M. You also do not serve all components of an industry throughout M because you only serve startup companies with high growth potential.

Same general class as a chamber of commerce or a board of trade

You are not like the organization described Rev. Rul. 73-411 because you do not have the characteristics of a chamber of commerce that is representative of the commercial interests of a geographic trade area. Furthermore, you are not like the organization described in Crooks because you assist a select group of newly formed and high growth businesses throughout M from a multitude of industries.

Inurement

No part of the net earnings of an organization exempt from taxation under IRC Section 501(c)(6) may inure to the benefit of any private shareholder or individual.

In Northwestern Municipal Association, Inc., the court stated that “the term ‘net earnings’ may include more than the term net profits as shown by the books of the organization. . . [and] profits may inure to the benefit of shareholders in other ways than in dividends.” It found that an organization representing holders of municipal securities and enforcing the obligations due to the holder produces net earnings that inure to a private shareholder or individual.

In Northwestern Jobbers Credit Bureau v. Commissioner, 37 F.2d 880, 883 (8th Cir. 1930), the court decided that businesses receiving necessary services, without paying, constitutes inurement.

You provide mentorship services to promising, individual startup companies rather than to a specific industry or to businesses in a specified geographical area as a whole. This provides benefits to private individuals rather than to a public group as explained above. As stated in Northwestern Municipal Association, Inc., an organization may create net earnings for private individuals by helping to secure payment from a third party rather than paying the individual directly. You also do this for individual companies by helping to devise strategies to grow the individual’s business. Also, a business receiving necessary services without paying constitutes inurement to a private individual. See Northwestern Jobbers Credit Bureau. The selected startup companies obtain mentorship services that they would otherwise pay for, similarly providing necessary services without payment constituting inurement.

Conclusion

Your new information did not change our original conclusion. You are not an association of persons having some common business interest, you are engaged in a regular business of a kind ordinarily carried on for profit, and you are not improving the business conditions of one or more lines of business as distinguished from the performance of particular services for individual persons. Moreover, upon further analysis, we conclude you are not the same general class as a chamber of commerce or a board of trade and part of your net earnings inures to the benefit of a private shareholder or individual. Therefore, you are not operated as a business league described in IRC 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.

We sent a copy of this letter to your representative as indicated in your power of attorney.

Sincerely,

Stephen A. Martin
Director, Exempt Organizations
Rulings and Agreements