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INTERNAL REVENUE SERVICE
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OFFICE OF THE CHIEF COUNSEL

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Dear _____ :

This letter responds to your request for information dated April 13, 2026, regarding whether organizations serving as national governing bodies of the sport

_____ may be tax-exempt under section 501(c)(6) of the Internal Revenue Code (Code).

You have represented the following facts:

Each organization is organized under applicable local law and pursuant to its official governing documents as a nonprofit organization or association and has a membership of persons sharing the common business interest of promoting the sport of _____ including professional and amateur _____ clubs, regional _____ associations, leagues, player groups, referee groups, and coaches groups. Membership in each organization is voluntary and open to individuals and organizations that meet criteria relating to governance, compliance with regulations _____ established by _____, the international governing body of _____, and competition participation.

The goals and activities of each organization, which are directed towards the common business interest of promoting the sport of _____, include the following:

- a) To promote, regulate, and improve the game of _____ throughout the organization's designated jurisdiction;
- b) To serve the interests of the organization's membership in promoting and regulating the game;

d) To organize competitions in _____ in all its forms at a national level;

h) To encourage youth participation in _____ through, for example, educational programs, school partnerships, development programs, inclusive activities for youth with disabilities, talent identification and development, youth competitions, and referee training; and

Each organization conducts no or an insignificant amount of activities unrelated to the promotion of _____ and performs no or an insignificant amount of particular services, as that term is used in Treas. Reg. § 1.501(c)(6)-1, for its members and other individuals. Revenues, if any, received from members and other individuals in exchange for such services constitute an insignificant portion of each organization's revenues.

Each organization funds its operations with dues received from members and payments from third parties. Payments from third parties include payments from sponsors, business partners, and television broadcast companies, _____ and _____, contributions from _____ and _____ for use for

development and defined _____ projects, and prize payments from various tournaments.

Each organization incurs expenses related to the activities described above including expenses related to tournaments, membership management, governance, administration, real property leases and ownership, grants to other organizations, compensation of employees, travel, infrastructure maintenance, and depreciation. The organizations do not operate a retirement fund for players or members, but may operate and contribute to a retirement fund for certain of its employees.

Members of each organization have voting rights, including the right to elect the governing body of the organization, which is composed of representatives from across the sport of _____, such as representatives of regional bodies and of both professional and amateur _____ clubs. Each organization has an executive board and committees addressing specific issues, such as finance and ethics. Members are obligated to abide by the _____ of the organization, which are based on the _____ of _____ issued by _____.

The organizations do not have shareholders and do not make distributions of their earnings or provide other economic benefits to their members or other persons other than payments directly associated with the operations of a association, such as distributing prize winnings to players and other individuals. Each organization allocates such payments based on predetermined criteria. Each organization's governing documents require that its assets be allocated to other nonprofit and noncommercial purposes upon dissolution.

General Requirements for Exemption

Section 501(c)(6) of the Code provides for the exemption from Federal income tax of 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. This provision is not limited to organizations organized or operated in the United States.

Section 1.501(c)(6)-1 of the Income Tax Regulations defines a business league as 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. 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 or the conduct of a regular business of a kind ordinarily carried on for profit. Organizations otherwise exempt from tax under this section are taxable upon their unrelated business taxable income.

Generally, these definitions have been distilled into a list of requirements for tax-exempt status as an organization described in Section 501(c)(6), including:

- The organization must be an association of persons having some common business interest and its purpose must be to promote that common business interest.
- The organization must be a membership organization and have a meaningful extent of membership support.¹
- The organization must not be organized for profit.

¹ As noted in *Nat'l Muffler Dealers Ass'n. v. United States*, 440 US 472 (1979), the tax exemption for business associations was premised, in part, on statements from the Chamber of Commerce of the United States to the Senate Finance Committee that "[t]hese organizations receive their income from dues paid by their members, a form of voluntary tax which business men pay that they may receive in common with all other members of their communities or of their industries the benefits of cooperative study of local development, of civic affairs, of industrial resources, and of local, national, and international trade."

Briefs and statements on H.R. 3321 filed with the Senate Committee on Finance, 63d Cong., 1st Sess., 2003 (1913).

- No part of its net earnings may inure to the benefit of any private individual.
- The organization's activities must be directed to the improvement of business conditions in one or more lines of business as distinguished from the performance of particular services for individual persons.
- The organization's purpose must not be to engage in a regular business of a kind ordinarily carried on for profit, even if the business is operated on a cooperative basis or produces only sufficient income to be self-sustaining.

Sports Organizations as 501(c)(6) Organizations

The Service has recognized professional sports leagues and organizations that promote and regulate a sport and organize matches and tournaments as exempt under section 501(c)(6) under appropriate facts.

Congress added "professional football leagues (whether or not administering a pension fund for football players)" to the enumerated list of qualifying organizations under section 501(c)(6) by Public Law 89-800 in 1966, shortly after the merger agreement between the National Football League and American Football League. The Conference Report (H. Rep. No. 2308, 89th Cong., 2d Sess., pp. 9-10, Oct. 18, 1966) noted that, prior to the amendment, professional football leagues had been held to qualify for tax exemption under section 501(c)(6) and that the purpose of the amendment was to prevent a league's pension plan from being considered private inurement. In discussing this provision in *Nat'l Muffler Dealers Ass'n. v. United States*, 440 US 472 (1979) (holding that an association of dealers franchised by one company failed to qualify as a business league), the Supreme Court distinguished professional football leagues by reasoning that the teams in a football league depend on mutual cooperation to promote a common business purpose and need a league to provide uniform rules of play, and that the 1966 amendment was part of a large statutory package paving the way for a merger that created an "industrywide" professional football league.

Unrelated Business Activities

Of particular interest to sports organizations exempt under Section 501(c)(6) is whether activities that are unique to such organizations are considered a "regular business of a kind ordinarily carried on for profit" rather than a valid exempt activity.

Rev. Rul. 58-502, 1958-2 C.B. 271, involved an organization exempt under section 501(c)(6) of the Code that was formed for the purpose of promoting and conserving the best interests and true spirit of a game as embodied in its traditions. Its membership was composed of regularly organized clubs throughout the United States. The organization was empowered to prescribe and enforce the rules and tests governing amateur standing and the rules for the playing of the game, and to hold championship tournaments and other events. It acted as an authoritative national body in the arbitration of controversies and in the final determination of all questions which may

arise relating to the game in the country. In addition to dues which it received from its membership, the organization derived its income from the championship tournaments which it sponsored, the grant of radio and television broadcasting rights, and the sale of booklets on the rules of the game. The income derived from the grant of radio and television broadcasting rights was relatively insignificant in amount. The Service held the organization's income to be from activities substantially related to the carrying out of its exempt purposes and thus not subject to the unrelated business income tax under section 511.

Rev. Rul. 80-294, 1980-2 C.B. 187, involved an organization recognized as exempt under section 501(c)(6) of the Code that was formed to promote interest in a particular sport, to elevate the standards of the sport as a profession, and to sponsor and conduct tournaments for the encouragement of its members. The organization's membership was open to all professional players of the sport in the United States. Among its activities, the organization conducted apprentice programs, annual conventions and merchandise shows, and tournaments. Its support was derived primarily from the sale of television broadcasting rights to its tournaments. Other support was from membership dues, penalties, and apprentice fees. Its expenses were for salaries, administrative costs of its programs, and tournament costs, including prizes and awards. The Service held that the organization's exemption under section 501(c)(6) was not adversely affected by the sale of broadcasting rights as its primary source of support, clarifying Rev. Rul. 58-502 to remove the implication that the organization's sale of broadcasting rights to its tournaments furthered section 501(c)(6) purposes only if insignificant in amount.

Under section 513(i), the activity of soliciting and receiving qualified sponsorship payments is not an unrelated trade or business of a section 501(c)(6) organization. For purposes of this provision, qualified sponsorship payments are defined as payments made by a person engaged in a trade or business with respect to which there is no arrangement or expectation that such person will receive any substantial return benefit other than the use or acknowledgement of the name or logo (or product lines) of such person's trade or business in connection with the activities of the exempt organization that receives such payment. For more details, see section 513(i) and Treas. Reg. § 1.513-4.

Educational Activities

Section 501(c)(6) organizations sometimes promote the common business interest of their members by engaging in educational activities. For example, Rev. Rul. 71-505, 1971-2 C.B. 232, held that a section 501(c)(6) city bar association that primarily directed its activities to the promotion and protection of the practice of law could not be reclassified as a section 501(c)(3) educational or charitable organization and must remain exempt as a section 501(c)(6) organization. The association's activities included a number of educational activities, among other activities, including: sponsoring semi-

annual law institutes; publishing legal articles; providing judges for moot court programs at law schools; arranging for law students to assist appointed counsel in the criminal defense of indigents; assisting in the production of nonprofit radio and television programs directed toward educating laymen on legal matters; maintaining a speakers' panel to instruct high school students on the function of law and the legal system; and seeking improvements in the administration of justice by researching, investigating, drafting, and recommending new ways to expedite legal procedures. Similarly, see Rev. Rul. 71-504, 1971-2 C.B. 231.²

Recognition of Exempt Status

An organization described in section 501(c)(6) of the Code that wishes to be recognized by the Service as tax-exempt must file an application electronically on Form 1024, *Application for Recognition of Exemption Under Section 501(a) or Section 521 of the Internal Revenue Code*. However, organizations described in section 501(c)(6) are not required to obtain recognition of exemption in order to qualify for and claim tax-exempt status under section 501(c)(6). Such organizations may “self-declare” as tax-exempt by operating as a tax-exempt organization, including complying with all applicable reporting requirements.

Form 990

An organization recognized as exempt under section 501(c)(6) or claiming such status must file Form 990 or 990-EZ or submit the Form 990-N notice (as appropriate), unless excepted under section 6033(a) or regulations or published guidance thereunder. See

² Although not in the section 501(c)(6) context, sports organizations may find it instructive that the IRS has ruled that conducting clinics to promote physical education in a particular sport furthers educational purposes under section 501(c)(3). Rev. Rul. 65-2, 1965-1 C.B. 227, held that an organization that taught a particular sport to children by holding clinics conducted by qualified instructors in schools, playgrounds, and parks, and by providing free instruction, equipment, and facilities is exempt as charitable and educational under section 501(c)(3). Rev. Rul. 77-365, 1977-2 C.B. 192, held a similar organization that did not limit its programs to children but held educational clinics to teach the sport to people of all ages for a nominal fee also exempt as educational under section 501(c)(3). See also Rev. Rul. 64-275, 1964-2 C.B. 142 (organization that trained suitable candidates in the techniques of racing sailboats in national and international competition, thereby improving the calibre of candidates representing the United States in Olympic and Pan American games, qualified as educational under section 501(c)(3)). Organizations that promote and regulate youth sports leagues have likewise been held to further educational purposes. Rev. Rul. 80-215, 1980-2 C.B. 174, held an organization formed to develop, promote, and regulate a sport for players under age 18 in a state and to promote sportsmanlike competition for such players exempt as charitable and educational under section 501(c)(3). The organization comprised affiliated individual associations, clubs, leagues, and teams, and organized local and state-wide competitions, promulgated rules, organized officials, presented seminars for players, coaches, and referees, provided a framework for protests and appeals, distributed a newsletter, and encouraged the growth of the sport. Similarly, see Rev. Rul. 55-587, 1955-2 C.B. 261 (involving inter-school athletic association) and Rev. Rul. 70-4, 1970-1 C.B. 126 (holding that a similar organization engaged in promoting and regulating a sport for amateurs (not limited to children) qualified under section 501(c)(4) but not section 501(c)(3)).

Treas. Reg. § 1.6033-2(a), (c), and (g) and Rev. Proc. 2011-15, 2011-3 I.R.B. 322. If an organization is not excepted from filing a return or notice, its exempt status will be automatically revoked under section 6033(j) if the organization fails to file a required return or notice for 3 consecutive years.

Conclusion

Organizations that meet the requirements discussed above would normally qualify as section 501(c)(6) organizations. This letter has called your attention to certain general principles of the law. It is intended for informational purposes only and does not constitute a ruling. See Rev. Proc. 2026-1, §2.04, 2026-1 I.R.B. 1.

For more thorough discussions of cases and IRS guidance regarding section 501(c)(6), see IRS Pub. 5710, *Exempt Organizations Technical Guide TG 6: Business Leagues – IRC Section 501(c)(6)*, and Reilly, Hull, and Braig Allen, *IRC 501(c)(6) Organizations*, IRS EO CPE 2003 Topic K. See also Pub. 557, *Tax-Exempt Status for Your Organization*.

If you have any additional questions, please contact me at .

Sincerely,

Seth J. Groman
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(Employee Benefits, Exempt Organizations, and
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