



TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

Number: **200601035**
Release Date: 01/06/2006
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Date: 10/11/05

Contact Person:

Identification Number:

Contact Number:

FAX Number:

Employer Identification Number:

UIL: 501.06-00

Legend:

A =
B =
M =
N =

Dear _____ :

We have considered your application for recognition of exemption from federal income tax under section 501(a) of the Internal Revenue Code as an organization described in section 501(c)(6). Based on the information submitted, we have concluded that you do not qualify for exemption under that section. The basis for our conclusion is set forth below.

The information submitted indicates that you (M) were incorporated under the laws of the State of N on August 18, 2003. M's Articles of Incorporation state that it was organized exclusively for one or more charitable, religious, educational, and scientific purposes.

In its application, M states that it is a new corporation, with no history of any activity, but that its activities will be:

"To promote Honesty, Integrity, Ethical Behavior on Part of ALL people. To Improve American Government with greater participation of Intelligent individuals in government.

"To direct Americans to examine America from the perspective of M's founders based on first hand personal experience. All M's founders were born, educated, and employed in America.

“To construct a Democratically formed New Constitution from the existing U.S. copyrighted outline, which was written using the existing U.S. Constitution.

“To help end bias, ignorance, violence in America.

“To help eliminate poverty.”

The Articles of Incorporation name A and B as the persons who are to serve as the initial directors. M advised in a letter dated February 15, 2004, that A (the current President) and B (the current Secretary/Treasurer) are married to each other.

A document M refers to as “By-laws,” were submitted with M’s letter dated February 15, 2004. The document is entitled “BY-LAWS OF _____ (A Not-For-Profit Corporation.” The document (1) does not name the organization to which the bylaws apply, (2) contains a note that not-for-profit corporations may elect not to have members and that, “(t)herefore, this Articles and any references to Members in these By-Laws would be deleted if the Corporation so elects and the laws of the state where this not-for-profit Corporation is incorporated so permits,” and (3) has blank spaces where the number of persons on the initial Board of Directors are to be listed, and the name of the State where M would hold meetings of the Board. The document is undated and unsigned, and there is no indication that it was ever approved or ratified by M’s Board of Directors or M’s membership.

In its letter dated October 18, 2003, M stated:

“Organization’s primary objective is to promote positive productive social, ethical, and public life in America through the uses of higher education, honesty, integrity, and democracy in American government in the United States of America...M will interpret America for Americans, create a verbal mirror of America all people can recognize and learn from for the obvious common goal of improving the quality of life on Earth. M will identify the essence of the obvious Americans are blinded to as a result of having “learned bias” for American bias through clichés, stories of half truths, and images of people.

“Other goals of M are to help define “freedom” in terms the average American can understand without the need for lawyers and Judges. M is dedicated to promoting higher education, self control, individuality, unity, and promoting the use of practical, intuitive intelligence in law making that is based on justice of a higher mind (from a M perspective). M is further dedicated to promoting the practice of law for the benefit of the Majority of the People in the United States of America, not just those “who have money, political influence, and who are licensed to practice law.” M is prepared and intends to offer viable solutions for stream lining the activities of the U.S. government and help cause the “system” to operate on more efficient, fair, humane, ethical, and equal levels.

“M, can and will accomplish the goals of M primarily by using words on paper and words on the internet to motivate, educate, clarify, and inform individuals of the reality of the need for participating in American democracy....

“The energies and resources of M will also be used and directed to clarify the Constitutional relationship between citizens and “the people who are the government,” and to promote a close, personal relationship between the groups of people who write and enforce laws for all the rest of the American people to obey, and the rest of the Americans who do not write the laws of America. M intends to promote a broader and more detailed interactive relationship between “the law” and people by requiring laws studies for ALL students....

“Concerning Section 1.506(c)(6) (sic), we believe **ALL Americans have a common interest**, We the people of America ARE America; there is no America without American people. America is NOT just the people who are paid from the tax pools generated by the American workers. (Government workers use collected tax dollars to pay the taxes they would ordinarily pay if they did not “work for the government”). Being an American is a full time job all in itself. All Americans are at risk of losing their everything in an instant. Everything, including pleasure, is a business in America. Pleasure in America is a risk. If people live, work, play, are exposed to all types of similar dangers and exceedingly high risks, Americans have numerous common business interests. All Americans are “suspects” of violating any and EVERY Crime on the books. All Americans want to be happy and safe....

In its letter dated August 29, 2004, M stated:

“The purpose of M is to educate people about the reality of America and the human existence. This educational common interest endeavor is not for profit, and no part of the net earnings of the organization will be used to benefit any private shareholder or individual. Further M is not organized to engage in any known business that would ordinarily make a profit by conducting the business of M. M is a non-violent, intellectual organization.

“The goal of M is to promote the common interest of IMPROVING America through education, and to promote a democracy. The standards of M OVERWHELMINGLY PROMOTE HIGHER STANDARDS THAN EITHER THE REPUBLICAN OR DEMOCRAT PARTIES OR THE COMBINATION OF THE TWO PARTIES, CONGRESS (sic), the IRS, the U.S. military, and other groups that are supported by primarily overtaxing the working class. For example, M will not use guns, threats of violence, lies, forgeries, and the like to try and collect alleged “owed” monies like the IRS employees are known to have done to me on two occasions. There were two men with immunity and guns on each of the two events, one of which took place on my private property. In both instances, I was threatened, harassed, intimidated, assaulted with deadly weapons, AND NO LAWYER OR POLICE OFFICER WOULD HELP ME DESPITE THE FACT THAT LAWS WERE BROKEN BY EVERYONE BUT ME. I also pay huge sums of taxes to support the very people who treat me as described as a part of “their service job.”

“M will also educate the members about money, religion, the law, and all things that put pressure on Americans. M MAY in the future, establish an insurance program for members. M will also promote a higher standard of integrity in all areas of business through education about greed, deception, making things to break, blood thirsty capitalism, and other negatives that promote and allow certain people to prosper through such activity. M members will not conduct any other business as an attachment to the business of M.”

In the financial statement submitted with its application dated September 10, 2003, M states that including the current tax year, prior year(s), and proposed budgets for two years, this information is “All unknown at this time.” M states that its present and future sources of financial support, beginning with the largest source first, will consist of membership dues, donations, and products to be sold for promotional purposes. M states that part of its receipts will consist of web master fees. In response to the Service’s request for financial data for the current tax year, for the three prior tax years if in existence, and/or for the next two years, M stated in its letter dated October 18, 2003, that it had “approximately \$3,000.00 to \$6,000.00 in expenses for 2003, zero income, zero donations, or revenues of any kind.” On a financial statement submitted with the letter, M entered only an estimated \$4,000.00 expenses related to its exempt purposes and \$4,000.00 in accounts payable; in the section for a proposed budget, M entered: “N/A.”

In its letter dated February 15, 2004, M stated that it “spent aprox. \$1,6940.00 (sic) promoting the site and mission in 2003, all documents are at H&R Block...The corporation has no assets other than one computer system, some stationary (sic), and NO income since inception.” In its letter dated August 29, 2004, M stated, “LATEST FINANCIAL STATEMENT. Income \$0.00 2004 Expense: approximately \$1,400.00.”

M states in its application that its qualifications necessary for membership are U.S. citizenship, 18 years of age, and High School graduate. In M’s letter dated October 18, 2003, M states that its supporters (members):

“...are concerned that said (United States) government and IRS employees will do to the M supporters what IRS and U.S. government employees have been and continue to do to M founders, for NO good or intelligent reason. Therefore, at this time, due to the fear of abuse by government employees, fellow M supporters are reluctant to come forward at this time and put their names on paper for use by anyone who is an employee of the United States government or its arms and legs. All such members are also protected by PRIVACY LAWS. We will serve all Americans in North and South America, and all other Humans around the world...Only Americans can be members of M. M has not been released to the public at this time.”

In reply to a request from the Service concerning how many members were presently in the organization, M states in its letter dated February 15, 2004: “Our members have requested strict confidentiality, and the number of members has nothing to do with compliance to 501(c)(6). For your use however, zero dollars have been collected for membership fees.”

In reply to a further request from the Service concerning membership, M states in its letter dated August 29, 2004, as follows: "As explained before, the number of members has nothing to do with 501(c)(6), this is just a question you are asking with covert intentions, i.e. intentions not listed in the official IRS document provided to (M) by the IRS relative to the matter at hand. We will NOT collect membership dues until not for profit registration is complete. No members have paid anything at this time.

Section 501(c)(6) of the Code provides for the exemption from federal income tax of business leagues, chambers of commerce, real-estate boards, or boards of trade, not organized for profit and no part of the net earnings of which inures to the benefit of any private shareholder or individual.

Section 1.501(c)(6)-1 of the Income Tax Regulations 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. An organization whose purpose is to engage in a regular business of a kind ordinarily carried on for a 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.

Rev. Rul. 59-391, 1959-2 C.B. 151, holds that an organization whose membership consists of individuals, firms, associations, and corporations, each of whom represents a different trade, business, occupation, or profession, and created for the purpose of exchanging information on business prospects does not qualify for exemption under section 501(c)(6) of the Code. Part of the rationale for the ruling is that the members have no common business interest other than a mutual desire to increase their individual sales.

Rev. Rul. 67-175, 1967-1 C.B. 139, describes an organization formed to benefit growers and processors of agricultural products in a given region. Noxious fumes from a factory in the region were damaging crops and trees with widespread effect on the agricultural economy of the area. The organization hired attorneys to represent individual property owners, some of whom were members of the organization, in a suit for an injunction requiring the factory to take necessary steps to prevent the air pollution. The revenue ruling holds that the prosecution of the injunction suit under the circumstances described was an activity promoting the common business interest of the members of the organization and was directed toward the improvement of business conditions in a particular line or business.

Rev. Rul. 67-295, 1967-2 C.B. 197, holds that an organization of businessmen holding luncheon meetings may qualify for exemption under section 501(c)(6) of the Code. The key to the determination is that the luncheon meetings are devoted to discussions, reviews, and considerations of the various problems in a particular industry.

Rev. Rul. 70-641, 1970-2 C.B. 119, involves an organization comprised of individuals from various professions in the field of public health. The organization's activities, which consist

of lectures, seminars, and discussions, seek to provide an interdisciplinary forum for exchanging knowledge and information. The revenue ruling concludes that the organization's activities promote the members' common business interests by increasing the effectiveness of the interaction among the various professions and solving common business problems. The fact that the members represent various professions does not prevent the organization from qualifying for exemption under section 501(c)(6) of the Code because they share a common business interest in the field of public health.

Rev. Rul. 73-411, 1973-2 C.B. 180, in discussing the exempt status of a shopping center merchants' association under section 501(c)(6) of the Code, describes in detail the history of section 501(c)(6) and the types of organizations described therein. In the case of a chamber of commerce or similar organization, the common business interest required under section 1.501(c)(6)-1 of the regulations is usually the general economic welfare of a community. Membership is voluntary and open generally to all business and professional men and women in the community. The revenue ruling states that it has been accepted that an organization seeking exemption from federal income tax under section 501(c)(6) as a chamber of commerce or board of trade must be one whose efforts are directed at promoting the common economic interest of all the commercial enterprises in a given trade community. The revenue ruling also defines trade associations or business leagues as similar to chambers of commerce or boards of trade, except that they serve only the common business interests of the members of a single line of business or of the members of closely related lines of business within a single industry.

In American Kennel Club v. Hoey, 148 F.2d 920 (2nd Cir. 1945), the court held that an association of dog owners, most of whom were not in the business of raising and selling dogs, did not further a common business interest and thus was not exempt under section 501(c)(6) of the Code.

M has failed to show that it is an organization of the type contemplated under section 501(c)(6) of the Code, which includes business leagues, chambers of commerce, real-estate boards, and boards of trade. The term "business" is construed broadly for purposes of section 501(c)(6) and includes almost any enterprise or activity conducted for remuneration. Thus, the term is broad enough to encompass professions (see Rev. Rul. 70-641, supra) as well as mercantile and trading businesses. It may also include the activities of organizations, such as consumer cooperatives, which engage in business on a cooperative basis (see Rev. Rul. 67-264, 1967-2 C.B. 196). Where there is no "business" involved, however, as explained in American Kennel Club v. Hoey, supra, exemption under section 501(c)(6) is precluded. M has not identified any business or kind of business with which it may be associated. Promoting positive, productive, social, ethical, and public life in America, and defining freedom, improving America, and promoting higher standards are not purposes that necessarily promote common business interests or improve business conditions. Because there is no business involved, M is not described in section 501(c)(6).

The information M has submitted fails to establish that the individuals it classifies as members are in a common line of business for purposes of section 501(c)(6) of the Code, which requires more than a finding that the individuals or organizations are engaged in a business. M's membership, the only requirements for which are U.S. citizenship, and being at least a High School graduate and 18 years of age, does not appear to represent either a specific industry or

various professions within a common business field. M's membership is not comprised of either an entire industry, or all components of an industry within any particular trade community.

M's program is similar to that of the organization described in Rev. Rul. 59-391, supra, in which the members have no common business interest other than a mutual desire to increase their individual sales. We recognize that there are distinctions between M's operations and those of the organization described in Rev. Rul. 59-391, in that membership in M is not restricted to different trades, businesses, occupations, or professions. However, the basic holding in that revenue ruling is that the participants in that organization have no common business interest other than a mutual desire to increase sales and that this is not sufficient to establish a common line of business for the purposes of section 501(c)(6) of the Code. M's membership similarly have no common business interest within the meaning of section 501(c)(6), but rather are Americans over 18 with a high school diploma. We have concluded that the holding in Rev. Rul. 59-391 applies to M and therefore M does not qualify for exemption under section 501(c)(6).

Based on the statutory construction of section 501(c)(6) of the Code, it is a well established principle that section 501(c)(6) is intended to apply only to membership organizations which further the common business interests of their members and which are financed, at least in part, through membership dues. The legislative history of this statute, and the rules of statutory construction applicable to that section of the Code dealing with exempt organizations, provide that only membership organization supported by membership dues or assessments are included in the term of the exemption under section 501(c)(6). While such an organization may receive a substantial portion or even the primary part of its income from non-member sources, membership support, both in the form of dues and involvement in the organization's activities, must be at a meaningful level. M has stated several times that it has received no membership dues. Indeed, we are unable to conclude that M has any members at all, other than A and B, since the document M submitted as its bylaws state that the corporation may elect not to have members and M has been unwilling to provide any dispositive evidence of membership. The fact that M may have persons reading its articles posted on the Internet does not necessarily make such persons its members.

Since M does not appear to be structured along particular industry or business lines, its right to exemption under section 501(c)(6) of the Code, if any, must rest on its characterization as a trade association or business league. As explained in Rev. Rul. 73-411, supra, membership in a section 501(c)(6) business league is voluntary and open generally to all businesses within a particular line of business or organizations representing closely related lines of business within its industry in its community. M is not serving the common business interests of members, but rather it is serving the individual interests of any person who may be reading M's articles posted on the Internet. M is not improving business conditions with some benefit to individuals as described in Rev. Rul. 67-175, supra. M is not serving members in a broader business interest as described in Rev. Rul. 70-641, supra. Any benefit to any line of business as opposed to individual entities, is not evident as is discussed in Rev. Rul. 67-175, supra. Thus, M is lacking the essential element of representation of a line of business within the meaning of section 501(c)(6). Therefore, M is not considered to be a trade association or business league within the meaning of section 501(c)(6), which defines trade associations or business leagues as similar to chambers of commerce or boards of trade, except that they

serve only the common business interests of the members of a single line of business or of the members of closely related lines of business within a single industry.

Accordingly, M does not qualify for exemption as an organization described in section 501(c)(6) of the Code and must file federal income tax returns.

M has the right to protest this ruling if M believes it is incorrect. To protest, M should submit a statement of its views to this office, with a full explanation of its reasoning. This statement, signed by one of M's officers, must be submitted within 30 days from the date of this letter. M also has a right to a conference in this office after its statement is submitted. M must request the conference, if it wants one, when it file its protest statement. If M is to be represented by someone who is not one of its officers, that person will need to file a proper power of attorney and otherwise qualify under our Conference and Practices Requirements.

If we do not hear from M within 30 days, this ruling will become final and a copy will be forwarded to the Ohio Tax Exempt and Government Entities (TE/GE) office. Thereafter, any questions about M's federal income tax status should be directed to that office, either by calling 877-829-5500 (a toll free number) or sending correspondence to: Internal Revenue Service, TE/GE Customer Service, P.O. Box 2508, Cincinnati, OH 45201.

In the event this ruling becomes final, it will be made available for public inspection under section 6110 of the Code after certain deletions of identifying information are made. For details, see enclosed Notice 437, *Notice of Intention to Disclose*. A copy of this ruling with deletions that we intend to make available for public inspection is attached to Notice 437. If M disagrees with our proposed deletions, it should follow the instructions in Notice 437.

If M decides to protest this ruling, its protest statement should be sent to the address shown below. If it is convenient, M may fax its reply using the fax number shown in the heading of this letter. If M faxes its reply, M should contact the person identified in the heading of this letter by telephone to confirm that its fax was received.

Internal Revenue Service
TE/GE (SE:T:EO:RA:TA)

1111 Constitution Ave, N.W.
Washington, D.C. 20224

If M does not intend to protest this ruling, and if M agrees with our proposed deletions as shown in the letter attached to Notice 437, M does not need to take any further action.

If M has any questions, please contact the person whose name and telephone number are shown in the heading of this letter.

Sincerely yours,

Lois G. Lerner
Director, Exempt Organizations
Rulings & Agreements

Enclosure: Notice 437