



Department of the Treasury  
Internal Revenue Service  
P.O. Box 2508  
Cincinnati, OH 45201

Number: **201941025**  
Release Date: 10/11/2019

Date:  
July 16, 2019  
Employer ID number:

Contact person/ID number:

Contact telephone number:

Form you must file:

Tax years:

**UIL: 501.06-00, 501.06-01**

Dear \_\_\_\_\_ :

This letter is our final determination that you don't qualify for tax-exempt status under Section 501(c)(6) of the Internal Revenue Code (the Code). 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 federal income tax returns for the tax years listed at the top of this letter using the required form (also listed at the top of this letter) within 30 days of this letter unless you request an extension of time to file.

We'll make this final adverse determination letter and the proposed adverse determination letter available for public inspection (as required under Section 6110 of the Code) after deleting certain identifying information. Please read the enclosed Notice 437, *Notice of Intention to Disclose*, and review the two attached letters that show our proposed deletions. If you disagree with our proposed deletions, follow the instructions in the Notice 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 contact the person listed at the top of this letter. If you have questions about your federal income tax status and responsibilities, call our customer service number at 1-800-829-1040 (TTY 1-800-829-4933 for deaf or hard of hearing) or customer service for businesses at 1-800-829-4933.

Sincerely,

Stephen A. Martin  
Director, Exempt Organizations  
Rulings and Agreements

Enclosures:

Notice 437

Redacted Letter 4034, *Proposed Adverse Determination under IRC Section 501(a) Other Than 501(c)(3)*

Redacted Letter 4040, *Final Adverse Determination under IRC Section 501(a) Other Than 501(c)(3) - No Protest*



**Department of the Treasury**  
**Internal Revenue Service**  
P.O. Box 2508  
Cincinnati, OH 45201

**Date:**  
April 18, 2019  
**Employer ID number:**

**Contact person/ID number:**

**Contact telephone number:**

**Contact fax number:**

**Legend:**

X = Date of formation  
Y = State

**UIL:**

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 Section 501(c)(6) of the Code? No, for the reasons stated below.

**Facts**

You were formed on X in Y as a mutual benefit corporation for the specific purpose of promoting the common economic interests of your members. You are supported primarily from membership dues.

Your bylaws provide that "each trade, profession or line of work shall be represented by one member." Likewise, your membership agreement states "Only one member may represent each trade or specialty." Membership is comprised of business owners and professionals from a variety of lines of trade and new members must be approved by the membership committee.

You hold weekly breakfast meetings. Each meeting begins with a networking session that allows members time to meet and greet one another in order to foster friendships and build mutual trust. This is followed by a brief education session where one member provides insight about changing business conditions in the community which may impact members. Each member then takes turns providing a concise introduction to his or her line of work and one aspect of that member's line of work for which they are particularly well qualified. The purpose of this introductory session is to "build mutual trust, and to assist members in making appropriate and trustworthy referrals to customers in the community."

Each week, on a rotating basis, a member presents to fellow members, introducing himself and providing a detailed his or her business. The purpose of this segment is not only "honing in on their personal skill sets and business ethics", but also to "become better able to refer friends, family and others from the local community to a service provider who is: (a) uniquely qualified for the customer's needs; and (b) trustworthy."

Toward the end of each meeting, members take turns to share referrals they have for other members as well as to share testimonials about services provided by other members in order to hold each member accountable for referrals that they provide one another.

## **Law**

Section 501(c)(6) of the Code exempts from federal income tax business leagues, chambers of commerce, real estate boards, boards of trade, and professional football leagues (whether or not administering a pension fund for football players), which are 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.

Rev. Rul. 59-391, 1592-2 C.B. 151, describes an association organized for the mutual exchange of business information among its members; to facilitate the making of business contacts for its members; to encourage all types of trade expansion for the benefit of its members; and to encourage better business relations among its members. The bylaws for the association state that membership shall be composed of persons each representing a different trade and no member shall be in competition with another. At the association's weekly luncheon meetings, each member submits a list of business acquaintances and agrees to furnish to other members letters of introduction to such acquaintances. The members of the association have no common business interest other than a mutual desire to increase their individual sales. The organization's activities are not directed to the improvement of business conditions of one or more lines of business, but rather to the promotion of the private interests of its members, which membership is limited by the organization's bylaws to one representative from each line of business. Accordingly, the association is not a business league within the intendment of Section 501(c)(6) of the Code.

Rev. Rul. 67-77, 1967-1 C.B. 138, states that a business league's activities must be directed to the improvement of business conditions for all the individuals engaged in that trade or occupation, and not to the performance of particular services for individuals. Thus, an association of dealers selling a particular make of automobile that engages in financing general advertising campaigns to promote the sale of that make is not exempt because it is not promoting a line of business; i.e., the automotive industry as a whole, but performing particular services for its members.

## **Application of law**

Based on the information submitted, you are not described in Section 501(c)(6) of the Code and Treas. Reg. Section 1.501(c)(6)-1 because your activities are not directed to the improvement of business conditions of one or more lines of business, but serve the business interests of individual member businesses exclusively.

Your activities mirror those of the organization described in Rev. Rul. 59-391. You, like it, limit membership to a single business to represent each trade, so that the advantages of participating in your activities are not available to members' competitors. In the revenue ruling each member submits a list of business acquaintances and agrees to furnish to other members letters of introduction to such acquaintances. Similarly, your members are expected or required to share business leads and referrals with each other. Your members have no common business interest other than a mutual desire to increase their individual sales. Your activities are not directed toward the improvement of conditions in one or more lines of business, but rather to the promotion of the private interests of your members.

Like the association of dealers in Rev. Rul. 67-77 that mounts advertising campaigns to promote the sale of the particular make of automobile that its members sell, you do not seek to improve conditions in one or more lines of business – e.g., an industry as a whole or all the businesses in a locality, like chambers of commerce -- but perform particular services for your members, benefiting them individually.

### **Conclusion**

You are not an association of persons promoting one or more lines of business because your activities constitute specific services to members and are directed toward promoting your members' private business interests. Accordingly, you do not qualify for exemption as an organization described in Section 501(c)(6) of the Code.

### **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 Decision 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  
P.O. 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](http://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](http://www.taxpayeradvocate.irs.gov) or call 877-777-4778.

Sincerely,

Stephen A. Martin  
Director, Exempt Organizations  
Rulings and Agreements