



Department of the Treasury
Internal Revenue Service
Tax Exempt and Government Entities
PO Box 2508
Cincinnati, OH 45201

Number: 202117016
Release Date: 4/30/2021

Date: February 2, 2021

Employer ID number:

Form you must file:

Tax years:

Person to contact:

Name:

ID number:

Telephone:

UIL: 501.06-01, 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 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 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:

Notice 437

Redacted Letter 4034

Redacted Letter 4038



**Department of the Treasury
Internal Revenue Service**

P.O. Box 2508
Cincinnati, OH 45201

Date: November 24, 2020

Employer ID number:

Contact person/ID number:

Contact telephone number:

Contact fax number:

Legend:

X = State

Y = Date

UIL:

501.06-01

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 incorporated in X on Y as a mutual benefit corporation. Your corporate purpose is to help local, small business owners, and entrepreneurs grow their businesses through referrals, continuing education, and networking opportunities. Your primary activity consists of _____ meetings where you provide a forum for small business owners and entrepreneurs to help each other grow their businesses through the exchange of business referrals. Specifically, you have a different member facilitate your meetings each week where they give presentations on their businesses to help their fellow members better understand their business and to educate them on how to get referrals. You require members to contribute referrals to your other members within the group. You follow up on referrals by requesting completed referral slips to track the economic benefit of a referral or the group's economic impact on the local small business economy.

You limit membership so that you only have one member representing each type of business. For example,

In addition, category conflict concerns will be addressed to, and decided by your membership committee.

Concerning new members, prospective members may attend _____ meetings with no financial cost to them and no obligation to pursue membership or be accepted for membership. Prospective members are screened by a visitor host who will make the determination if they are a good fit. If they are deemed a good fit, the visitor will be sent

a follow-up e-mail after their first meeting with an application for membership. The individual must then submit the completed application and pay the new member fee and their first three months of dues. The membership committee will make the determination if the prospective member be admitted or not within one week of receipt of their application. If the prospective member is invited to join, they will be inducted at the next regular meeting. Should you decline them membership, they will be e-mailed a generic declination letter and have their payment immediately refunded.

You expect members to attend every meeting or if they cannot attend, they are expected to send a substitute. A member missing any scheduled general meetings in a period, is subject to removal from the group, loss of their membership category and forfeiture of any dues and fees paid. In addition, a member with more than consecutive absences, without a leave of absence, is subject to removal, loss of their membership category and forfeiture of any dues and fees paid.

Regarding past members who were in good standing when they left, you require them to reapply and go through the same process as a new member as long as there is no one already representing their business classification. Past members who were not in good standing may re-apply as follows: removal for attendance must wait at least days to reapply. Removal for a violation of the code of conduct must wait at least a few years to reapply.

You are supported by dues from members and new member fees. You have a voluntary board of directors who are elected from your membership.

Law
IRC Section 501(c)(6) 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.

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. An organization, whose purpose 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 section 501(c)(6) of the Code.

Revenue Ruling 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 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.

Application of law

You are not described in IRC 501(c)(6) and Treas. Reg. Section 1.501(c)(6)-1 because the facts show you are not formed to promote the common business interests 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 type of business or profession. Additionally, you 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 you have no program designed to improve business conditions along one or more lines of business, you do not qualify under IRC Section 501(c)(6).

You are like the organization described in Rev. Rul. 59-391. This is evidenced by the fact that your members are from different classifications/categories of businesses who are not in competition with one another. The purpose of your weekly meetings is to provide business referrals for your members. Further, you follow up on referrals by requesting "completed referral slips" to track the economic benefit of a referral or the group's economic impact on the local small business economy. You also keep track if the referral was legitimate and resulted in new business for the referred business. This illustrates you have no common business interest other than a desire to increase the business prospects of your members.

Like the organization in Revenue Ruling 73-411, you are not structured along any particular industry or business lines. You are composed of various types of businesses. Therefore, to meet exemption under IRC 501(c)(6), you must depend on being characterized as a chamber of commerce. 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 IRC 501(c)(6) as explained in this revenue ruling.

Your position

Your position is that you only provide a forum for members to exchange business referrals and your activities do not directly benefit members.

Our response to your position

You failed to provide any additional information from which it can be concluded that you are primarily organized and operated in accordance with IRC 501(c)(6). The facts as previously explained show you are restricting membership to one member per individual business classification/category, which benefits individual members by providing them business referrals and a competitive advantage. This is primary and excludes you from exemption under IRC 501(c)(6).

Conclusion

Based on the information provided we conclude that you are not operated as a business league described in IRC Section 501(c)(6). Your activities are not primarily directed to the improvement of business conditions of one or more lines of business nor for the common economic interests of all the businesses in a given trade community as in the case of a chamber of commerce, but rather to the promotion of the private interests of your members as

illustrated by the restrictive nature of your membership. Therefore, you do not meet the requirements for exemption under IRC 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 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 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