



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

Box 2508
Cincinnati, OH 45201

Release Number: **202213010**
Release Date: 4/1/2022
UIL: 501.06-00, 501.06-01

Date:
January 4, 2022
Employer ID number:

Form you must file:

Tax years:

Person to contact:

Name:
ID number:
Telephone:
 Check if 501(c)(3) denial
 Check if valid POA

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.

Sincerely,

Director, Exempt Organizations
Rulings and Agreements

Enclosures:

Letter 437
Redacted Letter 4034
Redacted Letter 4038

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Department of the Treasury
Internal Revenue Service
PO Box 2508
Cincinnati, OH 45201

Date: October 26, 2021

Employer ID number:

Person to contact:

Name:

ID number:

Telephone:

Fax:

Legend:

B = Date

C = State

D = Date

E = Date

F = State

G = Name

H = Name

J = Name

K = Name

X = Number

Y = Number

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

Facts

You were incorporated on B, in the state of C, and subsequently dissolved on D. Later you incorporated as a mutual benefit corporation on E, in the state of F.

Your purposes listed in your bylaws are to

- Educate and inform members in all areas of products and solutions with emphasis on the G solution portfolio.
- Provide an outlet for users and others interested in G products to comingle with one another.
- Create a peer-to-peer network to share solutions and solve common problems.
- Advocate on behalf of members to drive G and its partners' product and service solutions.

Your primary goals are to:

- Advocate on behalf of the needs and interests of G customers
- Provide a direct channel of feedback from customers to G leadership
- Serve as a conduit of product and company information from G to its customers
- Provide training, industry news, networking opportunities, and other value-adds to G customers
- Facilitate a positive, productive relationship between G and its customers
- Create valuable networks among G customers

Your activities consist of educational events and conferences focusing on products and services of G. G is a for profit digital communication products and solutions company specializing in cloud communications and workstream collaboration solutions. Your bylaws state that G is a sponsor and advertiser for your events and has a non-voting board seat. You also indicated that as the forum for the global G customer community, you provide a voice and resource for G customers everywhere.

One half of your time and resources is devoted to planning and hosting an annual conference. The conference lasts for several days and consists of workshops focusing on G products and solutions, learning labs on G solutions and products, breakout sessions as well as access to G experts. The conference connects attendees to products, solutions, and ideas concerning G cloud communications as well as provides networking opportunities.

Your other activities include:

- Providing program support to your chapters which are located all over the world. You assist in designing training, best practices and localized education focusing on their specific needs regarding G products and solutions.
- Conducting an annual virtual event that offers breakout sessions as well as a virtual trade fair which displays G products and solutions.
- Developing webinars on G solutions and updates. These provide both soft and hard skills for your members. Some of these webinars are sold as opportunities for your partners to highlight their products and to be used for training for these products.
- Conducting H programs on a monthly basis in order to provide members an opportunity to engage by G product area and share stories, learn best practices and raise challenges they are having with these tools.
- Conducting support/technical forums. Specifically, your staff and volunteers provide 365-day support to the online community and technical discussions for G products. These exist to provide members relevant support based on issues they may have with their products.
- Preparing and distributing a monthly newsletter to your members. The newsletter highlights membership programs and industry news pertaining to G.

You explained that you offer varying categories of membership which are either paid or unpaid. You explained that the various categories account for a members' relationship to you, as well as the level of benefits they are interested in accessing. To join as a paid member, individuals must complete an application on your website and pay annual dues. Membership is confirmed upon receiving payment. Paying members can participate in your H programs, get G training discounts, and on demand access to webinars. There are currently X paying members. Paid membership categories consist of the following:

- The J membership which is intended for current G customers. Specifically, they are IT professionals responsible for deploying and managing G products in their roles.
- The K membership which is intended for current G partners. Specifically, they are individuals that work for organizations responsible for selling G products, services, or solutions; and/or products that are created to support G products.

You further stated that to join as an unpaid member, individuals must complete an application on your website. There is no approval process associated with this application. Once the application is completed, membership is active. You further explained that this membership is intended for anyone within the G ecosystem, including G employees, interested in accessing your minimal benefits and programs. These benefits primarily only include access to your website, live webinars and chapter meetings. There are currently Y unpaid members.

Your largest revenue source is from registration fees from customers or partners in the digital communications industry to attend your annual event. Other sources of revenue are from partners in the industry of digital communications, including G, to sponsor your annual event, virtual events or the webinars, to address how their products work; membership dues; and, hotel commissions from where your events are held.

You have a large volunteer board elected by your paying members. Both your paid staff and volunteers conduct your activities.

Law

IRC Section 501(c)(6) provides exemption from federal income tax for business leagues 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 defines a business league as an association having a common business interest, whose purpose is to promote the common business interest and not to engage in a regular business of a kind ordinarily carried on for profit. Its activities are directed to the improvement of business conditions of one or more lines of business rather than the performance of particular services for individual persons.

In Revenue Ruling 74-147, 1974-1 C.B. 136, an organization whose members represent diversified businesses that own, rent, or lease digital computers produced by various manufacturers and that was formed to provide a forum for the exchange of information leading to the more efficient utilization of computers by its members, and thus improving the overall efficiency of the business operations of each member, was granted exemption under IRC Section 501(c)(6).

Revenue Ruling 83-164, 1983-2 C.B. 95, describes an organization whose purpose is to conduct conferences for the dissemination of information concerning computers manufactured by one specific company, M. Although membership is composed of various businesses that own, rent, or lease computers made by M, membership is open to businesses that use other brands of computers. At the conferences, presentations are given by representatives of M, as well as other experts in the computer field. Problems related to the use of M's computers are also discussed and current information concerning M's products is also provided. The revenue ruling holds that by directing its activities to businesses that use computers made by one manufacturer, the organization is improving business conditions in a segment of a line of business rather than in an industry and is not exempt under IRC Section 501(c)(6). The revenue ruling concludes that by providing a focus on the

products of one manufacturer, the organization is providing M with a competitive advantage at the expense of manufacturers other of computer brands.

In Guide International Corporation v. U.S., 948 F.2d 360 (7th Cir. 1991), aff No. 89-C-2345 (N.D. Ill. 1990), the Court concluded that an association of computer users did not qualify for exemption under IRC Section 501(c)(6) because it benefitted users of IBM equipment. The Court stated that the organization also served as an influential marketing tool for IBM because it held conferences that allowed IBM to showcase its products and services.

Application of law

You are not described in IRC Section 501(c)(6) or in Treas. Reg. Section 1.501(c)(6)-1. You are not organized and operated to benefit the industry as a whole or to improve the business conditions of the entire industry but instead for the improvement of business conditions in segments of the various lines of business to which your members belong, notably that of G and its related products

You are dissimilar to the organization described in Rev. Rul. 74-147. The organization in the revenue ruling represented diversified businesses who use computers manufactured by different companies. Your activities are tailored to G and primarily to its customers, its employees, IT professionals who are responsible for deploying and managing G products in their roles, and individuals who work for organizations responsible for selling G products, or solutions.

You are like the organization in Rev. Rul. 83-164. Similarly, you are directing your activities to the users of a specific products and solutions only offered by G. Therefore, you are directing your activities towards the improvement of business conditions in only segments of the various lines of business to which your members belong. Because your activities are primarily focused to the users in various roles of G products and solutions, you help provide a competitive advantage to G and to its customers and as well as to all those in the G ecosystem at the expense of G's competitors and their customers. Your activities are not directed towards the improvement of business conditions in one or more lines of business which precludes exemption under IRC Section 501(c)(6).

You are like the organization described in Guide International Corporation v. U.S. Your membership primarily consists of users of G which represents a segment of the industry and not an entire line of business. You are also an influential marketing tool for G, as illustrated by the services and the educational events focused on G products and solutions that you provide to members. Therefore, you are not operating for the improvement of business conditions of one or more lines of business as required by IRC Section 501(c)(6).

Conclusion

You do not qualify for exemption under IRC Section 501(c)(6). Your activities are not directed to the improvement of business conditions in one or more lines of business, but rather to the improvement of business conditions in only segments of the various lines of business to which your members belong. Accordingly, we conclude that you are not exempt under 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

cc: