



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

Date: 03/21/2022

Employer ID number:

Form you must file:

Tax years:

Person to contact:

Name:

ID number:

Telephone:

Number: **202224014**
Release Date: 6/17/2022

UIL: 501.06-00, 501.06-01

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,

Stephen A. Martin
Director, Exempt Organizations
Rulings and Agreements

Enclosures:

Letter 437
Redacted Letter 4034
Redacted Letter 4038



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

Date: 01/26/2022

Employer ID number:

Person to contact:

Name:

ID number:

Telephone:

Fax:

Legend:

B – Date

x dollars = Amount

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 formed as an unincorporated association on B. Your Bylaws Article II state that your objective is "to hold weekly networking meetings to promote networking in our city between people in varied professions." Article III states "membership of the organization is to have only 1 member from any/each profession. This is to promote professionals to join the organization to not have competitors in the same organization."

Your members meet weekly to discuss business and support each other's businesses by sharing referrals. These weekly meetings include a five-minute education talk by your education coordinator. Members then introduce themselves and state what referrals they are looking for. A ten-minute presentation on a member specialty or other beneficial information is also given. The rest of the meeting is spent on providing referrals and testimonials amongst members. Members pay x dollars fee annually and are restricted from joining any other networking groups.

You also hold an annual membership drive meeting where you review the list of professions in your community that are not currently represented in your group. A list of potential members is generated and are invited to the annual membership drive meeting. Each invitee introduces themselves and their company, and the Membership Committee reviews these potential members, identifies any conflicts with professions currently in the group, and approves potential members.

Letter 4034 (Rev. 01-2021)

Catalog Number 47628K

When we asked for explanation on avoiding membership include competitors, you stated most successful referral networks only have one person from each profession. According to your general policies, referrals will be tracked and such information will be available quarterly.

Law

IRC Section 501(c)(6) provides exemption from federal income tax for 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 any 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 IRC section 501(c)(6).

In Rev. Rul. 70-244, 1970-1 C.B. 132, the organization's membership consists of business and professional persons in the community. Its articles of incorporation state it was formed to bring together members and their guests to exchange idea for improving business conditions within the community. It does not have any specific program directed to the improvement of business conditions in the community. Since this organization has no program designed to improve business conditions of one or more lines of business, it is held that the organization is not exempt from federal income tax under IRC Section 501(c)(6).

Rev. Rul. 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 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.

In Indiana Retail Hardware Assn., Inc. v. United States, 117 Ct. Cl. 288 (1966), the court held that when conducting particular services for members is a substantial activity of an organization, the organization will be precluded from exemption under IRC Section 501(c)(6).

Application of law

You are not described in IRC Section 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 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 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 professions who are not in competition with one another. The purpose of your weekly meetings is to provide business referrals for your members. Further, you track referrals and report this information quarterly for your members. This illustrates you have no common business interest other than a desire to increase the business prospects of your members.

Like the organization in Rev. Rul. 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 Section 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 Section 501(c)(6) as explained in this revenue ruling.

Like the organization in Indiana Retail Hardware Assn. Inc., your activities do not improve the business conditions of one or more lines of business or business conditions of any community as a whole. Instead, you serve the private interests of your members.

You are similar to the organization in Rev. Rul. 70-244 in that you do not have any specific program directed to the improvement of business conditions in the community. Your members' weekly meetings provide referral to each other's businesses. Since you have not described any programs designed to improve business conditions of one or more lines of business, but instead referral opportunities for members, you do not qualify under IRC Section 501(c)(6).

Your position

Your position is that you are a group with a common business interest. Your group's purpose is to improve business conditions of each of the businesses you represent. You promote high business standards and better business methods and establish and maintain integrity of your local professional market. You encourage the use of goods/services of your industries represented in your group. You provided an example of a professional receiving a referral that introduces the referred client to the professional's services in hopes of the referral turning into a client relationship on a paying basis. You hold that you are similar to a chamber of commerce in that your efforts are directed towards promoting the common economic interest of all commercial enterprises in a trade in your community. You consider yourself a business referral organization that gives your members valuable new client recommendations that are intended to turn into paying clientele. Your mission is to help members increase their own business through a referral program.

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 Section 501(c)(6). The facts as previously explained show you are restricting membership to one member per individual business industry, which benefits individual members by providing them business referrals and a competitive advantage. This is primary and excludes you from exemption under Section 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 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 941, 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

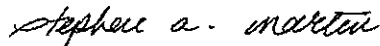
You can also fax your protest and supporting documents to the fax number listed at the top of this letter. If you fax your statement, please contact the person listed at the top of this letter to confirm that they received it.

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.

Sincerely,



Stephen A. Martin
Director, Exempt Organizations
Rulings and Agreements