



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

Date:
08/26/2024
Employer ID number:

Form you must file:

Tax years:
All

Person to contact:

Release Number: 202447016
Release Date: 11/22/2024
UIL Code: 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



Department of the Treasury
Internal Revenue Service

Date: 6/10/2024

Employer ID number:

Person to contact:

Name:

ID number:

Telephone:

Legend:

X = Date

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

Facts

You were incorporated on X in Y. Your purpose is to provide discounts to your members' businesses. Your bylaws provide that you promote the cooperation and support among local businesses and employers by providing discounts to your members' employees.

Your membership consists of local employers in multiple lines of business. You provide a service that brings businesses together for the purpose of offering discounts to your members' employees. Each year, you provide the employees of your members with a link to an app that they can download to access the digital membership discount card. Employees show their digital membership card to member merchants to receive the discounts. The card entitles them to discounts in various lines of business such as automotive, clothing, footwear, health & beauty, home improvement, hotel/motels, jewelers, mortgage/realtor and tax services, photography, recreation and entertainment, restaurants, and vision care.

Your income is derived from annual membership dues. The income is used to pay for operating costs and marketing.

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 inure 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 interests, 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. 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 68-264, 1968-1 C.B. 264, defines a particular service for the purpose of IRC Section 501(c)(6) as being an activity that serves as a convenience or economy to the members of the organization in the operation of their businesses.

In Engineers Club of San Francisco v. United States, 791 F.2d 686 (9th Cir. 1986), the court concluded that in order to qualify for a business league classification, each and every requirement of Treas. Reg. Section 1.501(c)(6)-1 must be met.

In Bluetooth SIG Inc. v. United States, 611 F.3d 617 (9th Cir. 2010), the court distilled Treas. Reg. Section 1.501(c)(6)-1 into a six-factor test, which requires a business league to be an association (1) of persons having a common business interest; (2) whose purpose is to promote the common business interest; (3) not organized for profit; (4) that does not engage in a business ordinarily conducted for profit; (5) whose activities are 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; and (6) of the same general class as a chamber of commerce or a board of trade.

In Indiana Retail Hardware Assn., Inc. v. United States, 117 Ct. Cl. 288 (1996), 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 were not formed to promote the common business interests of a particular industry or trade, but rather you were formed to benefit your members' business interests. The members have no common business interest other than a desire to provide discounts on services to your members' employees. Since you have no program designed to improve the business conditions along one or more lines of business, you do not qualify under Section 501(c)(6).

Your activities meet the definition of particular services as described in Rev. Rul. 68-264. Your activities serve as an employment incentive of your members through the provision of the discount card which is made available to their employees.

In Engineers Club of San Francisco v. United States, 791 F.2d 686 (9th Cir. 1986), the court concluded that in order to qualify for a business league classification, each and every requirement of Treas. Reg. Section 1.501(c)(6)-1 must be met.

You are unlike the organization in Bluetooth SIG Inc. v. United States, your activities do not promote a common business interest and your activities are not directed toward the improvement of business conditions of one or more lines of business. Therefore, you fail to promote the common business interest requirement and also fail to meet where your activities are 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.

You are like the organization in Indiana Retail Hardware Assn. Inc. You serve the private interests of your members by providing employment incentives to their employees. This activity does not improve the business conditions of one or more lines of business or business conditions.

Conclusion

You do not meet the requirements of IRC Section 501(c)(6) because your activities are not directed to the improvement of business conditions of one or more line of business, and you provide substantial services to your members that further their private interests. 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.

Sincerely,

Stephen A. Martin
Director, Exempt Organizations
Rulings and Agreements