



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

Release Number: 201633037
Release Date: 8/12/2016
UIL Code: 501.06-00
501.06-01

Date: May 17, 2016

Employer ID number:

Contact person/ID number:

Contact telephone number:

Form you must file:

Tax years:

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,

Jeffrey I. Cooper
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: March 29, 2016

Employer ID number:

Contact person/ID number:

Contact telephone number:

Contact fax number:

Legend:

X = State

Y = Date

z = Number

UIL:

501.06-00

501.06-01

Dear :

We considered your application for recognition of exemption from federal income tax under Section 501(a) of the Internal Revenue Code (the Code). Based on the information provided, we determined that you don't qualify for exemption under Section 501(c)(6) of the Code. This letter explains the basis for our conclusion. Please keep it for your records.

Issue

Do you qualify for exemption under section 501(c)(6) of the Code? No, for the reasons stated below.

Facts

You were incorporated in X on Y.

Your activity narrative states that you enable "business owners and professionals to get together on a weekly basis to network, build relationships and provide each other with referrals to help grow each others businesses." It says you "will provide the opportunity for each member to do a presentation to learn more about their business" at your weekly meeting location.

Article II of your Bylaws states your mission as follows: "We are a positive, structured, cost-efficient networking team, empowering quality local businesses and directly impacting their growth and success."

According to Article IV, Section 1, of your Bylaws: "Membership shall be open to all individuals, not to exceed z members."

According to Article IV, Section 2, of your Bylaws: "Each member is allowed to represent only one business field EXCLUSIVELY. This Principle of Exclusivity encourages the free and easy exchanges of leads among members, minimizing competitiveness when two or more same-field businesses vie with each other for the same lead."

Article VII of your Bylaws states that you “shall designate weekly meetings and times deemed as necessary to exchange leads and update member businesses.”

Article VIII of your Bylaws states that “a lead is considered a ‘pre-warmed’ person or business that is expecting a call.” You track your members’ leads to make sure they turn in at least two leads per quarter or deactivation of membership may occur.

Your membership application states that you only allow one member per industry. It then solicits the following information: “What is unique and valuable about you that makes you the best representative for your industry in this organization?”

You are funded through annual membership dues. Your funds are devoted to insurance fees, professional fees, supplies, website expenses, space rental, and other related expenses.

Law

Section 501(c)(6) of the Code 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 provides 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 56-65, 1956-1 C.B. 199, denied exemption to a local organization whose principal activity consisted of furnishing particular information and specialized individual service to its individual members engaged in a particular industry, through publications and other means to effect economies in the operation of their individual businesses. The activities of the organization consisted of the maintenance of plan rooms for the convenience of members, where plans and specifications for local construction projects, together with the names of general contractors bidding on specific projects, were filed.

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 was to exchange information on business prospects had no common business interest other than a mutual desire to increase their individual sales. The activities were 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 was not exempt under section 501(c)(6) of the Code.

Revenue Ruling 73-411, 1973-2 C.B. 180, in discussing the exempt status of a shopping center merchants' association under section 501(c)(6) of the Code, describes in detail the history of section 501(c)(6) and the types of organizations described therein. In the case of a chamber of commerce or similar organization, the common business interest required under Treas. Reg. section 1.501(c)(6)-1 is usually the general economic welfare of a

community. Membership is voluntary and open generally to all business and professional men and women in the community. The revenue ruling states that it has been accepted that an organization seeking exemption from federal income tax under section 501(c)(6) as a chamber of commerce or board of trade must be one whose efforts are directed at promoting the common economic interest of all the commercial enterprises in a given trade community. The revenue ruling also defines trade associations or business leagues as similar to chambers of commerce or boards of trade, except that they serve only the common business interests of the members of a single line of business or of the members of closely related lines of business within a single industry.

Application of law

You are not described in 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 promote the businesses of your individual members. Your weekly meetings serve as a forum for such individual business promotion. Your members are required to provide leads to other members. You engage in a regular business of the kind ordinarily carried on for profit in that you provide specific services that would otherwise be necessary for each individual member to conduct on their own or through another entity. Your objective is to institute, develop, and maintain methods of exchanging business information and providing specific leads among your members.

Like the organization in Revenue Ruling 56-65, you provide a particular service to your members and do not benefit the common business interests of all businesses involved with an industry or geographic area. You provide specific leads among your members. This activity constitutes performance of a particular service to your members with the intent of growing the members' businesses. You are providing a service to members that is similar to a business that is ordinarily carried on for profit.

Like the organization in Revenue Ruling 59-391, you are an association comprised of carefully screened and selected non-competing companies, represented by individual owners whom you have selected as the best representatives for their industry. Your members provide leads to other members. You develop strong interactive relationships among your members by working with one another to exchange new business opportunities. You facilitate leads among your members at your weekly meetings.

As described in Revenue Ruling 73-411, you are not promoting the general economic welfare of a community. You impose restrictions on your membership to minimize competitiveness when two or more same-field businesses vie with each other for the same leads. You are not a chamber of commerce because your membership is not open to all businesses in the community. Your membership shall not exceed z members, and each member is allowed to exclusively represent only one business field.

Conclusion

The facts clearly show you are not operated as a business league. The information you have provided shows that the members of your organization have no common business interest other than to further the private interests of your non-competing members. Your activities are not directed to the improvement of business conditions of one or more lines of business, or any other purpose defined in section 501(c)(6) of the Code. Rather, your activities and purposes are directed at the improvement of your members' businesses. You were formed to serve the private interests of your members.

Accordingly, you do not qualify for exemption as an organization described in section 501(c)(6) of the Code and you must file income tax returns.

If you don't agree

You have a right to file a protest if you don't agree with our proposed adverse determination. To do so, you must send a statement to us within 30 days of the date of this letter. The statement must include:

- Your name, address, employer identification number (EIN), and a daytime phone number
- A copy of this letter highlighting the findings you disagree with
- An explanation of why you disagree, including any supporting documents
- The law or authority, if any, you are relying on
- The signature of an officer, director, trustee, or other official who is authorized to sign for the organization, or your authorized representative
- One of the following declarations:

For an officer, director, trustee, or other official who is authorized to sign for the organization:

Under penalties of perjury, I declare that I examined this protest statement, including accompanying documents, and to the best of my knowledge and belief, the statement contains all relevant facts and such facts are true, correct, and complete.

For authorized representatives:

Under penalties of perjury, I declare that I prepared this protest statement, including accompanying documents, and to the best of my knowledge and belief, the statement contains all relevant facts 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 he or she hasn'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 provided a basis for us to reconsider our determination. If so, we'll continue to process your case considering the information you provided. If you haven't provided a basis for reconsideration, we'll forward your case to the Office of Appeals and notify you. You can find more information about the role of the Appeals Office 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 at a later date because the law requires that you use the IRS administrative process first (Section 7428(b)(2) of the Code).

Where to send your protest

Please send your protest statement, Form 2848, if needed, and any supporting documents to the applicable address:

U.S. mail:

Internal Revenue Service
EO Determinations Quality Assurance
Room 7-008
P.O. Box 2508
Cincinnati, OH 45201

Street address for delivery service:

Internal Revenue Service
EO Determinations Quality Assurance
550 Main Street, Room 7-008
Cincinnati, OH 45202

You can also fax your statement 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 he or she received it.

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.

You can find all forms and publications mentioned in this letter on our website at www.irs.gov/formspubs. If you have questions, you can contact the person listed at the top of this letter.

Sincerely,

Jeffrey I. Cooper
Director, Exempt Organizations
Rulings and Agreements

Enclosure:
Publication 892