



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

Number: **201733016**  
Release Date: 8/18/2017

Date: May 24, 2017

Employer ID number:

Contact person/ID number:

Contact telephone number:

Telephone number after May 18, 2017:

Form you must file:

Tax years:

UIL: 501.06-00, 501.06-01

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,

Stephen A. Martin  
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 9, 2017

**Employer ID number:**

**Contact person/ID number:**

**Contact telephone number:**

**Contact fax number:**

**Legend:**

B = Formation date  
C = Incorporator/Director  
D = Treasurer  
E = State  
x dollars = Amount  
y dollars = Amount

**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.

**Issues**

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

**Facts**

You were formed under the laws of state E on date B. Your Articles of Incorporation and your Form 1024 application state that you are a business networking referral group.

Your Form 1024 application also states that you are a group of business owners that seek to grow your businesses through qualified referrals. You are made up of one representative from each industry or professional classification.

According to your website, you are a referral based networking group. You seek to help each other's businesses grow through referrals through a trusted business partnership. Only one person from each professional classification is permitted to join your group.

Your Form 1024 application lists C as your only governing body member, but does not include a title. C is your incorporator according to your Articles of Incorporation. However, page 1 of your Form 1024 application was signed by D as the treasurer. Your Articles of Incorporation state the number of your directors shall be one, which may be increased or decreased pursuant to your Bylaws. It further states that C is the name of the director who shall act until the first meeting or until their successor is duly chosen and qualified.

You did not submit a copy of your Bylaws. Your Form 1024 application indicates that Bylaws have been adopted.

Your membership dues are x dollars per annum. A trial membership is available for a fee of y dollars and lasts for three months. When a member has enjoyed the trial membership, the balance of the first year's dues are paid at the end of the trial and the annual renewal and payment of dues will be on the anniversary of the commencement of their trial membership date.

You hold a meeting once a week for approximately an hour and a half. Your Leadership Committee, composed of the President, Vice President, Secretary, and Treasurer, conduct the meeting. Your weekly networking agenda includes breakfast, open networking, welcome, introductions, a brief education spot, a time to give a sales pitch (for members only), a business report, meeting minutes read, treasurer reports, a 10 minute speaker, time for referrals to be passed, testimonials and/or thank you(s) given, and announcements.

Your proposed revenue is from membership dues and your expenditures are for activities related to your stated purposes.

### **Law**

Section 501(c)(6) of the Internal Revenue Code provides for exemption of business leagues, chambers of commerce, real estate boards, boards of trade, and professional football leagues, which are 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 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. 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.

Rev. Rul. 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.

Rev. Rul. 59-391, 1959-2 C.B. 151, holds an organization that is composed of individuals, firms, associations, and corporations, each representing a different trade, business, occupation, or profession is not entitled to exemption as a business league under Section 501(c)(6) of the Code. It was created for the purpose of exchanging information on business prospects and has no common business interest other than a desire to increase sales of members. Nor could the diversity of membership's interest be explained away by a comparison with the business interests of the members of a local board of trade or a chamber of commerce.

Rev. Rul. 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 the former serve only the common business interests of the members of either a single line of business or closely related lines of business within a single industry.

In Indiana Retail Hardware Assn., Inc. v. United States, 366 F. 2d 998 (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 Section 501(c)(6) of the Code. Over 58% of the organization's total income was derived from its performing particular services for individuals as convenience and economy in their businesses and from its other income-producing activities.

### **Application of law**

You are formed to provide referral services for your members who are from different lines of businesses. Therefore, you are not organized for any of the purposes described in Section 501(c)(6) of the Code.

Contrary to Treas. Reg. Section 1.501(c)(6)-1, you are not an association of persons with common business interests. Your membership is composed of one representative from each industry or professional classification and has no common business interest. Therefore, you are not a business league as described in Section 501(c)(6) of the Code.

Like the organization in Rev. Rul. 56-65, you do not benefit the common business interests of all businesses involved with an industry or geographic area. You obtain referrals for your members, which constitutes performance of a particular service to your members with the intent of growing the members' businesses. Accordingly, you are not exempt under Section 501(c)(6) of the Code.

You are similar to the organization in Rev. Rul. 59-391 in that your members are from different industries or professional classifications and have no common business interests. You were created for the purpose of providing referrals for your members. Your weekly meetings act as a central information service exchange among members where referrals and introductions are made to facilitate the making of business contacts for your members and to promote personal business. Therefore, you are not a business league as described in Section 501(c)(6) of the Code.

As described in Rev. Rul. 73-411, membership in and enjoyment of privileges in an organization exempt under Section 501(c)(6) of the Code are not to be restricted or limited to a select number of entities within the described industry. Membership in a trade association or business league is both voluntary and open generally to all entities within a particular line of business or closely related lines of business. When you restrict privileges to your members, you are lacking an essential element of public representation and membership support within the intent of Section 501(c)(6).

Like the organization described in Indiana Retail Hardware Assn., Inc. v. United States, 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 special interests of your individual members.

## Conclusion

Based on the information provided, you are not an association of persons promoting one or more lines of business and your activities constitute specific services to members. You have no common business interest other than a mutual desire to increase the individual sales of your members. You were formed to serve the private interests of your members. Accordingly, you do not qualify for exemption from federal income tax under 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](http://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