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

Date: September 27, 2017

Employer ID number:

Contact person/ID number:

Contact telephone number:

Form you must file:

Tax years:

Number: **201751023**
Release Date: 12/22/2017

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: August 9, 2017

Employer ID number:

Contact person/ID number:

Contact telephone number:

Contact fax number:

Legend:
B = Date of formation
C = State

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 incorporated on B in C as membership organization.

Your Bylaws indicate that only individuals can be members and not entities. Members must be approved by your Board of Directors or its designee. Membership is comprised of business owners and professionals from a broad variety of companies and industries.

You described your activities as holding monthly meetings to introduce members and their guests in order to foster future business relationships. At each meeting two members get to explain their businesses to the attendees and describe the prime prospects that they request as referrals from the audience. There is informal networking during the meetings where members introduce themselves to other members. You have a quarterly speaker to update the members and their guests on business and cultural issues in the metro area.

Members and guests are predominantly small business owners or managers. As such, they are decision-makers for their enterprises and seek like-minded contacts that may become vendors, customers, strategic partners or sources to refer new business. Your Member Handbook states that you are a business-to-business networking group serving your local community.

You indicated that members diligently seek out other members to meet with one-on-one when it appears that a mutual relationship may develop that will result in introductions to new prospects and the opportunity to act as a referral source. Members can also pay an additional fee to present their business proposition at a monthly meeting within 18 months and at least every 48 months thereafter.

The common business interest amongst your members is to grow their businesses by nurturing relationships with fellow members who may become referral resources and/or provide introductions to prospects and potential referral sources.

You are supported by due and assessments of your members.

Law

Section 501(c)(6) of the Code exempts from federal income tax business leagues, chambers of commerce, real estate boards, boards of trade, and professional football leagues (whether or not administering a pension fund for football players), 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 activities must 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. 59-391, 1959-2 C.B. 151, describes an association organized for the mutual exchange of business information among its members; to facilitate the making of business contacts for its members; to encourage all types of trade expansion for the benefit of its members; and to encourage better business relations among its members. The bylaws state membership shall be composed of persons each representing a different trade and no member shall be in competition with another. Each member submits a list of business acquaintances and agrees to furnish to other members letters of introduction to such acquaintances. The members of the association have no common business interest other than a mutual desire to increase their individual sales. The organization's activities are not directed to the improvement of business conditions of one or more lines of business, but rather to the promotion of the private interests of its members, which membership is limited by the organization's bylaws to one representative from each line of business. Accordingly, the association is not a business league within the intendment of Section 501(c)(6) of the Code.

Rev. Rul. 67-77, 1967-1 C.B. 138, states a business league's activities must be directed to the improvement of business conditions for all the individuals engaged in that trade or occupation, and not to the performance of particular services for individuals. Thus, an association of dealers selling a particular make of automobile that engages in financing general advertising campaigns to promote the sale of that make is not exempt because it is not promoting a line of business; i.e., the automotive industry as a whole, but performing particular services for its members

Rev. Rul. 73-411, 1973-2 C.B. 180, states a shopping center merchants' association whose membership is restricted to and required of the tenants of a one owner shopping center and their common lessor does not direct its activities to the improvement of business conditions of one or more lines of business. The activities of organization are directed to promoting the general business interests of its members, and the organization performs particular services for its members.

Application of law

You are not described in Section 501(c)(6) of the Code and Treas. Reg. Section 1.501(c)(6)-1 because you are not formed to promote the common business interests of a particular industry or trade. You are also not formed for the improvement of one or more lines of business; rather, you are formed to benefit your members' business interests.

You are similar to the organization described in Rev. Rul. 59-391 because you are operated primarily to aid your members in their individual business endeavors. Much like that ruling, your membership is comprised of various persons each representing a different trade, business, occupation or profession. Your activities are not directed toward the improvement of one or more lines of business, but rather to the promotion of the private interests of your members. Accordingly, you do not qualify for exemption under Section 501(c)(6) of the Code.

Similar to the organizations described in Rev. Rul. 67-77 and 73-411, your activities are not directed toward improvements in any particular line of business. Instead, you provide a service for your members. Specifically, you provide your members with networking and business promotion opportunities. Your meetings focus on networking and referrals and generating business leads for members, not on improving business conditions. As you are serving the private interests of your members, rather than an industry as a whole, you do not qualify as a business league within Section 501(c)(6) of the Code.

Your position

You assert that Rev. Rul. 59-391 is not applicable to you because only individuals are accepted as members, there is no restriction that prohibits membership by a competitor to an existing member, and members do not furnish other members with a list of business acquaintances. Instead, you are 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. You also state that members share in regularly scheduled presentations by non-member speakers on business topics and information valuable to members' businesses. You said your activities are directed to the improvement of business conditions for many different lines of business.

Our response to your position

Your activities include networking, referrals, and fostering future business relationships. Limiting your membership to just individuals does not distinguish from Rev. Rul. 59-391. Although your members do not exchange a list, you do exchange referrals verbally between members. In fact, you indicated that members diligently seek out members to meet with one-on-one when it appears that a mutual relationship may develop that will result in introductions to new prospects and the opportunity to act as a referral resource.

Although you provide presentations by non-member speakers on business topics and information valuable to members' businesses, this is not your primary activity. Your members have no common business interest other than a mutual desire to increase their individual sales through their businesses. Therefore, your activities are serving the private interests of your members and not providing for the improvement of overall business conditions in your community.

Conclusion

Your activities are directed toward the improvement of your members' businesses, which furthers their private interests, and does not contribute to the improvement of business conditions of one or more lines of business as described in Section 501(c)(6) of the Code. Accordingly, you do not qualify for exemption as an organization described in Section 501(c)(6) 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,

Stephen A. Martin
Director, Exempt Organizations
Rulings and Agreements

Enclosure:
Publication 892