

IRS RULES FOR 501 C 6 ORGANIZATIONS

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The Statute: The IRS provides for exemption of business leagues, chambers of commerce, real estate boards and boards of trade 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.

Regulations: A business league is defined as an association of persons having a common business interest, whose purpose is to promote the common business interest and not to engage in a regular business of a kind ordinarily carried on for profit. Its activities are directed to the improvement of business conditions of one or more lines of business rather than the performance of particular services for individual persons.

Basic Characteristics

1. It must be an association of persons having some common business interest and its purpose must be to promote this common business interest;
2. It must be a membership organization and have a meaningful extent of membership support;
3. It must not be organized for profit;
4. No part of its net earnings may inure to the benefit of any shareholder or individual;
5. Its activities must be directed to the improvement of business conditions of one or more lines of business and not the performance of services for individual persons;
6. Its primary activity does not consist of performing particular services for individual persons; and
7. Its purpose must not be to engage in a regular business of a kind ordinarily carried on for profit.

Common Business Interest: The starting point is whether the organization serves a business purpose for its members. Although the members may have a variety of interests, they must have a common interest of a business nature that the organization promotes.

Rules Regarding Membership and Support: An organization is a membership organization characteristically supported by dues. While such an organization may receive income from non-member sources, membership support, both in the form of dues and involvement in the organization's activities, must be at a meaningful level.

Net Earnings: This requirement does not mean an organization cannot have net earnings in the form of an excess of income over expenses.



NonMember Income: When an exempt business league engages in related income producing activities or services with nonmembers as well as members, it is not unusual to provide the goods or services to members at a reduced price.