

A local organization whose principal activity consists 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 is performing particular services for individual persons. Such organization, therefore, is not entitled to exemption from Federal income tax under section 501(c)(6) of the Internal Revenue Code of 1954 as a business league even though it performs functions which are of benefit to the particular industry and the public generally.

Advice has been requested whether a local organization, whose principal activity consists of furnishing information to and advertising the products of its members engaged in a particular industry through publications and other means, qualifies for exemption from Federal income tax under section 501(c)(6) of the Internal Revenue Code of 1954 as a business league under the circumstances set forth below.

The instant organization, whose membership is restricted to individuals engaged in the building engineering construction business, was incorporated for the purpose of promoting, by educational means, better relations between private owners and public bodies; maintaining, by educational means, high professional standards; combating unfair practices; promoting efficiency among contractors; supporting contractors in efforts to rectify conditions of unsatisfactory character; encouraging the use of methods of contracting for work which relieve the contractor of improper risks; and encouraging sound business methods tending to raise the standing of contractors generally in the business world. Activities consist of the maintenance of plan rooms for the convenience of members. Plans and specifications for local construction projects, together with the names of general contractors bidding on specific projects, are filed in the plan rooms by various governmental construction agencies. Plans and specifications are also filed by leading architects and engineers. Rooms are open daily for the use of members and the members may reserve plans and specifications for use overnight or over the week-end. A publication is issued to members twice weekly containing information obtained direct from governmental agencies, and from architects and engineers, with respect to projects available for bids and correct lists of bidders, together with their addresses and telephone numbers. The publication contains reports on contract awards and materials purchased by general contractors and serves as the spokesman for the local construction industry. It also serves as an advertising medium for the products and services being made available to the industry. Copies of the publication are mailed to cooperating architects, engineers, and Federal agencies without charge. At frequent intervals, corrected and revised lists of all buyers in general contracting organizations in the local area are published.

A labor committee is maintained within the organization to settle

labor disputes by arbitration, to prevent strikes and lockouts, promote steadiness of employment in the skilled building trades, and to assure just and equitable treatment in relations with employers in the building trades. In connection with this activity, a handbook on working rules and wage rates is published with supplementary pages and replacements necessitated by changes in working rules or wage rates. As a further service, lists of sub-contractors and material vendors are furnished members showing specific projects and from whom bids and quotations may be obtained. An official directory and guide lists members, cooperating architects and engineers, giving addresses and telephone numbers.

Income is derived by the organization principally from membership dues and advertising, and funds are expended for salaries and operating expenses.

Section 501(c) of the Internal Revenue Code of 1954 describes certain organizations exempt from income tax under section 501(a) and reads, in part, as follows:

(6) Business leagues, chambers of commerce, real-estate boards, or boards of trade, not organized for profit and no part of the net earnings of which inures to the benefit of any private shareholder or individual.

Section 39.101(7)-1 of Regulations 118, made applicable hereto by virtue of Treasury Decision 6091, C.B. 1954-2, 47, 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. * * *

The organization in the instant case has established that it performs functions which are of benefit to the building industry, the general public, State and Federal Governments, and their agencies. Also, the facts indicate that its purposes and activities carry many of the attributes normally found in business leagues entitled to exemption under section 501(c). However, they do not support a conclusion that the principal activity of this organization is directed to the improvement of business conditions of the building industry, as such, but indicate that the organization has been created and is primarily operated as a service to its individual members. For these reasons, consideration of all the facts in the case require the conclusion that the organization is primarily engaged in the performance of particular services for individual persons within the ambit of

section 39.101(7)-1 of Regulation 118.

Accordingly, it is held that the instant organization is not entitled to exemption from Federal income tax under section 501(c)(6) of the Internal Revenue Code of 1954 as a business league.

Compare Revenue Ruling 54-442, C.B. 1954-2, 131, and Revenue Ruling 55-444, C.B. 1955-2, 258, in which organizations operated primarily to promote the interests of particular industries were held to be exempt from Federal taxation as business leagues, notwithstanding minor activities which resulted in benefits to individual members.