

An organization formed to promote the interests of its members and persons or firms related to the building and construction industry by providing a plan room and news bulletin available to the entire industry qualifies for exemption under section 501(c)(6) of the Code; Revenue Ruling 56-65 clarified.

Advice has been requested as to the effect of the activities described below upon the qualification of an organization for exemption from Federal income tax under section 501(c)(6) of the Internal Revenue Code of 1954 where the organization otherwise qualifies for such exemption.

The organization was formed to promote the interests of its members and persons or firms related to the building and construction industry. While the organization's membership is open to persons, firms, and corporations engaged in all phases of the building and construction industry, the membership is composed principally of major contractors.

The principal activity of the organization is the operation and maintenance of a plan room. Plans and specifications for construction projects being bid in the area are filed in the plan room by architects, builders, and government agencies. The plan room is open for use by all individuals and businesses in the industry, nonmembers as well as members. Generally, the information on file at the plan room is a duplication of the materials already in the hands of most of the members. The organization performs no other services with respect to the plans or the submission of bids.

The organization also publishes a news bulletin that contains information about plans available at the plan room, bid results, and activities of concern to persons in the industry. This information supplements, and, in many instances, is merely a duplication of information available to the members of the organization. The news bulletin is distributed to all members but is available to the entire industry without charge.

Receipts of the organization are from dues. Disbursements are for the organization's programs.

Section 501(c)(6) of the Code exempts from Federal income tax business leagues that are not organized for profit, and whose net earnings do not inure to the benefit of any private shareholder or individual.

Section 1.501(c)(6)-1 of the Income Tax Regulations defines a business league as an association of persons having a common business interest. The activities of the association 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. An organization whose

purpose is to engage in a regular business of a kind ordinarily carried on for profit is not a business league.

Providing a news bulletin and plan room available to the entire building and construction industry without charge improves the business conditions of that line of business because it makes information on construction projects freely available to the construction industry as a whole. Since the plans are generally already in the hands of the major contractor constituting most of the membership in the organization, the service performed by the plan room does not result in a significant convenience or economy for member contractors.

Accordingly, it is held that the organization does not by reason of such activities render particular services to individuals of the kind proscribed by section 501(c)(6) of the Code and section 1.501(c)(6)-1 of the regulations and, since the organization is otherwise qualified thereunder, it will be exempt from Federal income tax.

Even though an organization considers itself within the scope of this Revenue Ruling, it must file an application on Form 1024, Exemption Application, in order to be recognized by the Service as exempt under section 501(c)(6) of the Code. The application should be filed with the District Director of Internal Revenue for the district in which is located the principal place of business or principal office of the organization. See section 1.501(a)-1 of the regulations.

Revenue Ruling 56-65, C.B. 1956-1, 199, is clarified to the extent it may imply that plan room and publication activities of the type described in this ruling are not appropriate activities of a business league exempt under section 501(c)(6) of the Code.