

Rev. Rul. 68-265, 1968-1 C.B. 265

A nonprofit organization that operates a credit information service as its primary activity is not exempt from Federal income tax under section 501(c)(6) of the Internal Revenue Code of 1954.

G.C.M. 159, C.B. V-2, 67 (1926), superseded.

The purpose of this Revenue Ruling is to update and restate under the current statute and regulations the position set forth in G.C.M. 159, C.B. V-2, 67 (1926). This ruling relates to whether an organization that operates a credit information service of the type described below is exempt from Federal income tax under section 501(c)(6) of the Internal Revenue Code of 1954.

A nonprofit organization was formed to foster the interests of persons engaged in a particular line of business. The primary activity of the organization is furnishing credit information service to its members. The service consists of making inquiries and recording the information received relative to the experiences of members with parties requesting credit. The information is supplied to the members on request. No special charge is made for this service. Income is derived exclusively from dues and interest on its bank balance.

Section 501(c)(6) of the Code provides for the exemption from Federal income tax of 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 1.501(c)(6)-1 of the Income Tax Regulations 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. 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. An organization whose purpose is to engage in a regular business of a kind ordinarily carried on for a profit, even though the business is conducted on a cooperative basis or produces only sufficient income to be self-sustaining, is not a business league.

Primary activities that constitute a regular business of a kind ordinarily carried on for profit will preclude exemption from Federal income tax under section 501(c)(6) of the Code because they evidence a purpose to engage in such business. *Jockey Club v. United States*, 137 F.Supp. 419, certiorari denied, 352 U.S. 834 (1956). A credit information service is a business of a kind ordinarily carried on for profit. *Durham Merchants' Association, Inc. v. United States*, 34 F.Supp. 71 (1940). Since the credit information service is the primary activity of this organization, it is not exempt from Federal income tax under section 501(c)(6)

of the Code.

Furthermore, activities that constitute the performance of particular services for individual persons may preclude exemption from Federal income tax under section 501(c)(6) of the Code. See *Indiana Retail Hardware Association, Inc. v. United States*, 366 F.2d 998 (1966). An activity that serves as a convenience or economy to members in the operation of their businesses is a particular service of the type proscribed. See *Produce Exchange Clearing Association, Inc. v. Helvering*, 71 F.2d 142 (1934). The exchange of credit information among the members of this organization is a clear convenience and economy to them in their businesses, resulting in savings and simplified operations. Accordingly, this activity constitutes the performance of particular services for individual persons. *United States v. Oklahoma City Retailers Association*, 331 F.2d 328 (1964). Therefore, for this further reason, the organization is not exempt from Federal income tax under section 501(c)(6) of the Code.

See Rev. Rul. 68-264, page 264, this Bulletin, which sets forth similar principles relative to a traffic bureau.

G.C.M. 159 is hereby superseded since the position set forth therein is restated under current law in this Revenue Ruling.