

# Business Leagues



## Business Leagues

Section 501(c)(6) of the Internal Revenue Code provides for the exemption of business leagues, chambers of commerce, real estate boards, boards of trade, and professional football leagues, 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.

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. Trade associations and professional associations are business leagues. To be exempt, a business league's activities must be devoted to improving business conditions of one or more lines of business as distinguished from performing particular services for individual persons. No part of a business league's net earnings may inure to the benefit of any private shareholder or individual and it may not be organized for profit to engage in an activity ordinarily carried on for profit (even if the business is operated on a cooperative basis or produces only enough income to be self-sustaining). The term *line of business* generally refers either to an entire industry or to all components of an industry within a geographic area. It does not include a group composed of businesses that market a particular brand within an industry.

Chambers of commerce and boards of trade are organizations of the same general type as business leagues. They direct their efforts at promoting the common economic interests of all commercial enterprises in a trade or community, however.

For more information, see [IRC 501\(c\)\(6\) Organizations](#).

### Additional information:

- [Life Cycle of a Business League \(Trade Association\)](#)
- [Lobbying Activities - Business Leagues](#)
- [Political Campaign Activities - Business Leagues](#)
- [Business Leagues - Political Campaign Intervention Resources](#)
- [Application for Recognition of Exemption](#)

# Political Campaign Activities - Business Leagues



## Political Campaign Activities - Business Leagues

Participating directly or indirectly, or intervening, in political campaigns on behalf of or in opposition to any candidate for public office does not further exempt purposes under Internal Revenue Code section 501(c)(6). However, a section 501(c)(6) business league may engage in some political activities, so long as that is not its primary activity. However, any expenditures it makes for political activities may be subject to tax under section 527(f). For further information regarding political and lobbying activities of section 501(c) organizations, see Election Year Issues, Political Campaign and Lobbying Activities of IRC 501(c)(4), (c)(5), and (c)(6) Organizations, and Revenue Ruling 2004-6.

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## **A. General Rules Relating to Lobbying and Political Campaign Activities by IRC 501(c)(4), (c)(5), and (c)(6) Organizations**

**May IRC 501(c)(4), (c)(5), or (c)(6) Organizations Engage in Attempts to Influence Legislation (Lobbying)?**

**Yes.** Organizations described in IRC 501(c)(4), (c)(5), and (c)(6) may engage in an unlimited amount of lobbying, provided that the lobbying is related to the organization's exempt purpose.

- This principle is enunciated in Rev. Rul. 61-177, 1961-1 C.B. 117, which holds that a corporation organized and operated primarily for the purpose of promoting a common business interest is exempt under IRC 501(c)(6) even though its sole activity is introducing legislation germane to such common business interest.
- Rev. Rul 61-177 notes that there is no requirement, by statute or regulations, that a business league or chamber of commerce must refrain from lobbying activities to qualify for exemption.
- The rule set forth in Rev. Rul. 61-177 applies to organizations described in IRC 501(c)(4) and (c)(5) as well. *See* Rev. Rul. 67-293, 1967-1 C.B. 185, and Rev. Rul. 71-530, 1971-2 C.B. 237.

**May IRC 501(c)(4), (c)(5), or (c)(6) Organizations Engage in Political Campaign Activities?**

IRC 501(c)(4), (c)(5), and (c)(6) organizations may engage in political campaigns on behalf of or in opposition to candidates for public office provided that such intervention does not constitute the organization's primary activity.

- The regulations under IRC 501(c)(4) provide that promotion of social welfare does not include participation or intervention in political campaigns. Reg. 1.501(c)(4)-1(a)(2)(ii).

G.C.M. 34233 (Dec. 3, 1969) reaches the same conclusion with respect to labor unions described in IRC 501(c)(5) and business leagues described in IRC 501(c)(6).

- The G.C.M. contrasts support of a candidate for office with lobbying activities.

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