

501(c)6 – What it is and What it Means to You

What is a 501(c)6?

IRS.gov (12/9/16) - Section 501(c)(6) of the Internal Revenue Code provides for the exemption of business leagues, which are not organized for profit. “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.”¹

“To be exempt as a business league, an organization'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). It must be shown that the conditions of a particular trade or the interests of the community will be advanced. Merely indicating the name of the organization or the object of the local statute under which it is created is not enough to demonstrate the required general purpose. To be exempt, a section 501(c)(6) organization must receive meaningful [membership support](#).”¹

What does being a 501(c)6 mean to you?

- Each Chapter has a Federal Tax ID number called an Employer Identification Number (EIN), which designates the Internal Revenue Service (IRS) structure of a 501(c)6. This number is verified annually with the Chapter filing of a 990-series form and by AORN’s IRS subordinate audit.
- All Chapters have an independent EIN number from Headquarters. Each Chapter is its own, individual business league.
- Maintaining tax-exempt status is listed among the Chapter Accountability Standards that were endorsed by the AORN Board in the fall of 2009 and approved by the House of Delegates in 2013.
- 501(c)6 means you **must** pay state sales taxes, unless you file for an exemption with your state.
- 501(c)6 designation is a business league/trade association, not a charity. Vendors and others cannot make tax deductible contributions. Their contribution would be deducted as a business expense using an IRS W9 form (*See W9 information*).

Background

- Exists for the benefit of the organization members.
- Must be an association of people having some common business interest and its purpose must be to promote this common business interest.
- The organization will have no specific ownership and is generally controlled by members who do not receive stock. All profits are reinvested in the organization.
- No part of the organization’s net earnings will be distributed for the benefit of any private shareholder or individual and it may not be organized for-profit or engage in for-profit activities.
- The organization must be primarily supported by membership dues and other income from activities substantially related to its exempt purpose.
- Not eligible for Federal grants, but eligible for Foundation grants.
- May engage in any amount of legislative activity relevant to the common business interests of the organization’s members, but lobbying should not be the organization’s major focus.

For more details, visit www.irs.gov.

IRS, Exemption Requirements: Business League, <https://www.irs.gov/charities-non-profits/other-non-profits/requirements-for-exemption-business-league>, accessed March 10, 2017.