

Internal Revenue Service

Department of the Treasury

District Director

P.O. Box 2508
Cincinnati, OH 45201

[REDACTED]

Person to Contact:

Telephone Number

Refer Reply to:

Employer Identification Number:

Date: MAY 02 1997

Dear Sir or Madam:

We have considered your application for recognition of exemption from Federal income tax under the provisions of section 501(c)(6) of the Internal Revenue Code of 1986 and its applicable Income Tax Regulations. Based on the available information, we have determined that you do not qualify for the reasons set forth on Enclosure I.

Consideration was given to whether you qualify for exemption under other subsections of section 501(c) of the Code and we have concluded that you do not.

As your organization has not established exemption from Federal income tax, it will be necessary for you to file an annual income tax return on Form 1041 if you are a trust or Form 1120 if you are a corporation or an unincorporated association.

If you are in agreement with our proposed denial, please sign and return one copy of the enclosed Form 6018, Consent to Proposed Adverse Action.

You have the right to protest this proposed determination if you believe that it is incorrect. To protest, you should submit a written appeal giving the facts, law and other information to support your position as explained in the enclosed Publication 892, "Exempt Organizations Appeal Procedures for Unagreed Issues". The appeal must be submitted within 30 days from the date of this letter and must be signed by one of your principal officers. You may request a hearing with a member of the Office of the Regional Director of Appeals when you file your appeal. If a hearing is requested, you will be contacted to arrange a date for it. The hearing may be held at the Regional Office, or, if you request, at any mutually convenient District Office. If you are to be represented by someone who is not one of your principal officers, he or she must file a proper power of attorney and otherwise qualify under our Conference and Practice Requirements as set forth in Section 601.502 of the Statement of Procedural Rules. See Treasury Department Circular No. 230.

[REDACTED]

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If we do not hear from you within the time specified, this will become our final determination. In that event, appropriate State officials will be notified of this action in accordance with the provisions of section 6104(c) of the Code.

Sincerely yours,

C. Ashley Bullard
District Director

Enclosures: 3

Enclosure I

Facts

Information submitted with your application indicates you were incorporated on [REDACTED]. Your Articles of Incorporation state you were formed for the purpose of promoting the innkeeping industry in [REDACTED] and in any activity or business permitted under the laws of the United States and [REDACTED]."

Your members are professionally run, independently owned small businesses operated in a building(s) which are used primarily for providing overnight accommodations to the public.

Your correspondence dated [REDACTED] listed the activities of the organization in carrying out your purposes:

1. Distribution of a monthly newsletter- discussing industry trends, topics of concern, and advice on business practices,
2. Distributing a concierge book- showcasing member attractions, restaurants, products & services,
3. Conducting an [REDACTED] open house tour- informal tours of all member [REDACTED], to be attended by other [REDACTED]
4. Conducting monthly membership meetings- with featured speakers to discuss topics related to specific business practices,
5. Operating an [REDACTED] reservation referral system and cooperative marketing program- to increase occupancy among membership,
6. Conducting [REDACTED] tours- open to the general public, specifically targeting tourist, featuring historically significant properties, and
7. Communicating weekly with the membership.- to update all members with respect to new federal, state, and local legislation.

The operation of the reservation referral system is outlined in the [REDACTED] application. Each week, a different [REDACTED] acts as a contact point. The contact point collects availability data from member [REDACTED]. If the contact point has no availability for a particular date or does not meet the customer's needs, customers are referred to other member [REDACTED].

Of the present activities, your correspondence dated [REDACTED] stated [REDACTED] of your time is dedicated to promoting the membership, [REDACTED] is dedicated to the reservation referral system, [REDACTED] is dedicated to the implementation of the mission statement, which states "The purpose of the [REDACTED] is to develop programs that increase members' occupancy; to promote professional development and to provide community representation for our organization and industry.", and [REDACTED] is dedicated to maintaining a code of ethics.

Law

Section 501(c)(6) of the Code provides for exemption from federal income tax of business leagues not organized for profit, no part of 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. The activities of the organization 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.

Application of Law

Rev. Rul. 68-264, 1968-1 C.B. 264 defines a particular service for the purposes of section 501(c)(6) of the Code as being an activity that serves as a convenience or an economy to the members of the organization in the operation of their businesses.

Rev. Rul. 59-234, 1959-2 C.B. 149; *Evanston-North Shore Board of Realtors v. United States*, 320 F. 2d 375 (1963) held that a real estate board whose primary purpose and activity was the operation of a multiple listing service for its members did not qualify for exemption.

Rev. Rul. 74-228, 1974-1 C.B. 136 held that an organization formed by carriers engaged in transoceanic passenger service, whose primary activity consisted of appointing travel agents to book passenger travel on its member ships did not qualify for exemption.

Rev. Rul. 74-308, 1974-2 C.B. 168 held that an organization whose principle activity was to provide a telephone answering service to distribute calls for towing service on a rotational basis to its members who are tow truck owners and operators did not qualify for exemption.

Rev. Rul. 65-14 held that an organization formed to promote the tourist industry in its area and whose principle activity is the publication of a yearbook consisting largely of paid advertisements for its members was not entitled exemption.

It is clear from the information you provided that the primary purpose of the organization is to provide services to benefit the members of the association rather than the [REDACTED] industry as a whole. Your correspondence dated [REDACTED] stated the concierge book showcases member attractions. You also stated the reservation referral system and cooperative marketing program is to increase occupancy among the membership. These activities are similar to the activities in the Revenue Rulings cited above.

Conclusion

Accordingly, we have concluded that your program results in an economy

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~~_____~~
or a convenience in the conduct of the members of the association's businesses. Since a majority of the organization's time is dedicated to programs that have no benefit to the industry as a whole, but are strictly for the benefit of the members, you cannot qualify for recognition of exemption under section 501(c)(6) of the Code.