

APR 18 1990

PERSON TO CONTACT:

TELEPHONE NUMBER:

REFER REPLY TO:

Dear Sir/Madam:

We have considered your application for recognition of exemption as an organization described in Section 501(c)(6) of the Internal Revenue Code.

The information submitted indicates that your organization was created in [REDACTED] under the laws of the State of [REDACTED]. The purpose of your organization is to share education, ideas and problem solving for the users of the same types of computer equipment.

Your planned activities include holding at least two board meetings during the year and planning an annual conference. You are also working on creating a newsletter.

Membership in your organization is limited to users of "[REDACTED]" computer equipment manufactured by "[REDACTED]" of [REDACTED].

Income is derived solely from membership dues.

Expenditures cover miscellaneous business expenses.

Section 501(c)(6) of the Code provides for the exemption from Federal income tax of business leagues, chamber of commerce, and 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 defines a business league as an association of persons having some common business interest. The activities of the organization must be directed to the improvement of business conditions in one or more lines of business as distinguished from the performance of particular services for individual persons.

Revenue Ruling 74-147, 1974-1, C.B. 136 holds that a nonprofit organization, whose members represent diversified businesses that own, rent, or lease digital computers produced by various manufacturers, organized to improve the efficiency of its members' use of computers, qualifies for exemption under section 501(c)(6) of the Code.

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However, Revenue Ruling 83-164, 1983-2 C.B. 45 holds that an organization whose members represent diversified businesses that own, rent or lease computers produced by a single computer manufacturer does not qualify for exemption from federal income tax as a business league under section 501(c)(6) of the Code.

Although the members of both organizations mentioned above have a common business interest concerning the use of computers, the organization mentioned in Revenue Ruling 74-147 directs its activities to users of computers made by diverse and competing manufacturers, while the organization mentioned in Revenue Ruling 83-164 directs its activities to users of computers made by one manufacturer.

Your organization limits its membership to users of "[REDACTED]" computer equipment. By directing your activities to users of computers made by one manufacturer, your organization is directing its activities toward the improvement of business conditions in only segments of the various lines of business to which your members belong. Because you limit your activities to the users of "[REDACTED]" computers, your organization helps to provide a competitive advantage to "[REDACTED]" and to its customers at the expense of "[REDACTED]" competitors and their customers that may use other brands of computers.

Thus, your organization's activities are not directed toward the improvement of business conditions in one or more lines of business within the meaning of section 1.501(c)(6)-1 of the regulations. Therefore, we hold that your organization does not qualify for exemption from Federal income tax under section 501(c)(6) of the Code. You are therefore required to file Federal income tax returns - Form 1120.

If you do not accept our findings, we recommend that you request a conference with a member of our Regional office conference staff. Your request for a conference should include a written appeal giving the facts, law, and any other information to support your position as explained in the enclosed Publication 892. You will then be contacted to arrange a date for a conference. The conference may be held at the Regional office, or if you request, at any mutually convenient District office. If we do not hear from you within 30 days of the date of this letter, this determination will become final.

Sincerely yours,

[REDACTED]

[REDACTED]
District Director

Enclosure: Publication 892