CERTIFIED

[redacted]

Person to Contact: [redacted]
Telephone Number: [redacted]
Refer Reply to:
Internal Revenue Service
[redacted]

Date: OCT 17 1990

Dear Applicant:

We have considered your application for recognition of exemption from Federal Income Tax under Section 501(c)(6) of the Internal Revenue Code.

The information submitted discloses that you were formed on [redacted] as an unincorporated association.

The purpose of your organization is to provide a forum for the exchange of information relating to the use of computer software manufactured by [redacted]. You stated that the future of your user group is to send a common message to [redacted] to improve their software.

Membership in your organization is limited to any company or individual using [redacted]'s [redacted] Products.

Your only source of income is membership dues. Your funds are spent for newsletters and member meetings.

Section 501(c)(6) of the Internal Revenue Code provides for exemption of "business leagues, chambers of commerce, real estate boards, boards of trade, or professional football leagues (whether or not administering a pension fund for football players), 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 Income Tax Regulations reads as follows:

"BUSINESS LEAGUES, CHAMBERS OF COMMERCE, REAL ESTATE BOARDS AND BOARDS OF TRADE. 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

	INITIATOR	REVIEWER	REVIEWER	REVIEWER	REVIEWER	REVIEWER	REVIEWER
CODE	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	
SUR-NAME							
DATE	10/15/90	10/15/90	10/15/90	10-15-90	10-16-90	10-16-90	

business of a kind ordinarily carried on for profit. It is an organization of the same general class as a chamber of commerce or board of trade. 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 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. An assocation engaged in furnishing information to prospective investors, to enable them to make sound investments, is not a business league, since its activities do not further any common business interest, even though all of its income is devoted to the purpose stated. A stock or commodity exchange is not a business league, a chamber of commerce, or a board of trade within the meaning of section 501(c)(6) and is not exempt from tax. Organizations otherwise exempt from tax under this section are taxable upon their unrelated business taxable income. See sections 511 to 515, inclusive and the regulations thereunder".

Revenue Ruling 83-164, 1983-2 C.B. 95, states 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.

In National Prime Users Group, Inc. vs. USA 60 AFTR 2D 87-5564(D.M.D 1987), the court held that an organization which was operated for the purpose of providing information to and communication among the users of a particular brand of mini computer was not a tax exempt business league because its activities served the interest of that single manufacturer and only improved the segments of the lines of business that are represented by its members.

Your organization is similar to the ones mentioned in Revenue Ruling 83-164 and National Prime Users Group, Inc. vs USA in that you are directing your activities to the users of one particular brand of computer software. You are, therefore, not improving the conditions of one or more lines of business within the meaning of Section 501(c)(6) of the Code. In addition, your

activities are serving the private interest of [redacted] by providing a competitive advantage to it and its customers.

We have concluded that you do not qualify for exemption from Federal Income Tax as an organization described in Section 501(c)(6) of the Internal Revenue Code. Accordingly, you are required to file Federal income tax returns on Form 1120, annually with your District Director.

If you do not agree with these conclusions, you may within 30 days from the date of this letter, file a brief of the facts, law and arguments (in duplicate) which clearly sets forth your position. In the event you desire an oral discussion of the issues, you should so indicate in your submission. A conference will be arranged in the Regional Office after you have submitted your brief to the Chicago District Office and we have had an opportunity to consider the brief and it appears that the conclusions reached are still unfavorable to you. Any submission must be signed by one of your principal officers. If the matter is to be handled by a representative, the Conference and Practice Requirements regarding the filing of a power of attorney and evidence of enrollment to practice must be met. We have enclosed Publication 892, Exempt Organization Appeal Procedures for Adverse Determinations, which explains in detail your rights and procedures.

If we do not hear from you within 30 days from the date of this letter this determination will become final.

If you agree with this determination please sign and return the enclosed Form 6018.

Very truly yours,

[redacted]

District Director

Enclosures:
Publication 892
Form 6018