

Internal Revenue Service  
Director, Exempt Organizations

Department of the Treasury  
P.O. Box 2508 - EP/EO Room 6417  
Cincinnati, OH 45201

Date: JAN 24 2002

Employer Identification Number:

Person to Contact - I.D.

Contact Telephone Numbers:

Phone

FAX

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. However, we have concluded that you do not qualify under another subsection.

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 6019, Consent to Proposed Adverse Action.

You have the right to protest this proposed determination if you believe 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]

If we do not hear from you within the time specified, this will become our final determination.

Sincerely,

[REDACTED]

Director, Exempt Organizations

Enclosures: 3

ENCLOSURE 1

[REDACTED]

The information submitted discloses that you were incorporated on [REDACTED]

You stated in your Articles of Incorporation that your purpose is to advertise the products and services of [REDACTED] in the [REDACTED] region who are members of your organization.

There is one class of members in your organization. Members are any persons or entities who are authorized [REDACTED] Dealers and who have entered into an agreement to contribute an advertising allowance to your organization.

The primary activity of your organization is the collection and payment of advertising rebates and expenses to a new vehicle dealership.

On [REDACTED], we asked you to provide additional information concerning your organization.

The additional information disclosed that your organization was formed to improve the business conditions between the new vehicle dealerships and the factory ([REDACTED]). You were created to receive funds electronically from [REDACTED] and in turn, distribute these funds as reimbursement for advertising expenses.

You stated that advertising material is not distributed by your organization. The only distribution your organization makes is the cash disbursement for the expenditure for advertising expense by the new vehicle dealerships.

Your organization collects money from [REDACTED] based upon submitted advertising expenditures by the dealerships, then passes out the money to the dealerships. Thus, you stated, you are a pass through entity.

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 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 association 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 67-77, 1967-1 C.B. 138 provides that an organization composed of dealers in a certain make of automobile in a designated area is organized and operated for the primary purpose of financing general advertising campaigns to promote, with funds contributed by dealer members, the sale of that make of automobile. The ruling

concludes that the organization is performing particular services for its members and is not entitled to exemption from Federal income tax as a business league under Section 501(c)(6) of the Internal Revenue Code.

Your organization, instead of engaging in activities for the improvement of business conditions in the automotive industry as a whole, is performing services for its members by the collection and payments of advertising rebates and expenses to a new vehicle dealership.

This constitutes the performance of particular services for your individual members as distinguished from the improvement of business conditions generally as required by Section 1.501(c)(6) of the income tax regulations.

Accordingly, we have concluded that you are not entitled to recognition of exemption from Federal income tax under Section 501(c)(6) of the Internal Revenue Code since your activities are not 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.