

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

JUN 0 8 1982

Gentlemen:

Your application for exemption from Federal income tax under the provisions of section 501(c)(6) of the Internal Revenue Code has been considered.

The information submitted indicates your organization was formed in [REDACTED] of [REDACTED]. As stated in Article II of your By-Laws amended [REDACTED] the objectives of your organization are:

- (a) To associate apartment owners, builders and local apartment associations operating within the State of [REDACTED] for the purpose of mutual advantage and cooperation.
 - (b) To develop and maintain within the apartment industry a high appreciation of the objectives and responsibilities of apartment owners and operators in fully serving the public.
 - (c) To advocate and encourage the constant improvement of apartment ownership and management techniques and operating practices.
 - (d) To promulgate and enforce a Code of Ethics to maintain high professional standards and sound business methods among its members for the best interest of the industry and public.
 - (e) To secure cooperative action in advancing the common purposes of its members; uniformity and equity in business usages and laws; and proper consideration of opinion upon questions affecting the apartment industry in the State of [REDACTED].
 - (f) To promote and assist in the enactment and enforcement of beneficial local, State and Federal laws pertaining to the apartment industry and to otherwise promote and encourage better methods and practices in the industry.
 - (g) To function as an affiliated State Association of the National Apartment Association within the above described jurisdiction.
- [REDACTED]

- (h) To participate for the purpose of mutual benefit in an interchange of information and experience with all State and local affiliated associations of the National Apartment Association.
- (i) To serve, advance and protect the welfare of the apartment industry, in such manner that adequate housing will be made available by private enterprise to all people in [REDACTED].
- (j) To disseminate useful information and inspire members to further educate themselves in the practical features of their apartment business.
- (k) To hold, when practicable, in connection with its annual meetings or otherwise, as an educational feature, an exhibition of equipment, supplies, and other items which may be beneficial in conducting the apartment business.
- (l) This Association shall be organized as a non-profit organization.

Article IV of your By-Laws state that; "Membership in the Association shall be open to any person, firm or corporation who shall agree to abide by the By-Laws of the Association and who shall fulfill the requirements of one of the following classification for membership:

1. Direct Members - Owners or owners representatives of rental property in the counties of [REDACTED] and [REDACTED]
2. Associate Members - Individuals or businesses who do not own rental property but share our objectives. Associate members shall not be entitled to vote on any association matters.

Your application indicates that you have [REDACTED] direct members and [REDACTED] associate members. Dues are \$[REDACTED] per year for the first ten units plus \$[REDACTED] per unit over [REDACTED] to a maximum of \$[REDACTED] per year for direct members. Associate members pay dues of \$[REDACTED] per year. The difference in dues is attributed to the benefits the associate member hopes to derive from the free advertising in the newsletter.

Section 501(c)(6) of the Code provides for the exemption from Federal income taxes of business leagues, chambers 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 purpose of which is to promote such interest and not to engage in a regular business of a type ordinarily carried on for profit. It is an organization of the same general class as a chamber of commerce or board of trade, and its activities should 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 66-338 denied exemption under IRC 501(c)(6) to an organization whose activity included facilitating the purchase of supplies and equipment for their members. Apartment Operators Association v. Commissioner, 136 F 2d 435 (1943) reached the same conclusion. Activities which bring buyers and sellers together or a convenience or economy to members in conducting their business is a particular service. The organization members receive benefits that give them a substantial competitive edge over non-members. The organization is thus providing particular services rather than serving the industry as a whole by providing the discount purchasing plan.

The associate members in this organization receive a direct benefit from their membership. They receive a competitive edge in providing services or selling goods to the direct members. The organization facilitates this buying and selling.

Associate members come from a variety of industries including carpeting, painters and rental services. They encompass a wider range of activities than are contained in one industry. Associate members are those who provide services or sell goods to the direct members. The associate members also do not share the common business interests outlined in the twelve objectives of this organization.

The providing of uniform leases to direct members is also a particular service. Revenue Ruling 78-52 provides that this activity is taxable as unrelated income.

We have concluded that your organization does not meet the requirements for exemption under IRC 501(c)(6). The services provided to members and the inurement of benefits to the associate members preclude exemption.

You are required to file Federal income tax returns on Form 1120 for each of the years you have been in existence.

If you do not agree with these conclusions, you may request Appeals Office consideration. To do this, you must submit to the District Director within 30 days from the date of this letter, a statement of facts, law, and arguments, in duplicate, which will clearly set forth your position. You also must state whether you wish an Appeals Office conference. 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.

[REDACTED]

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

Very truly yours,

[REDACTED]
District Director

Enclosure:

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