



JAN 23 1991

Dear Sir or Madam:

We have considered your application of exemption from Federal income tax under section 501(c)(6) of the Internal Revenue Code.

The information submitted indicates that you were incorporated [redacted] under the non profit laws of the State of [redacted]. According to Article Three of your Articles of Incorporation, the purpose for which you are organized is to engage in acquiring, producing, distributing, publishing, broadcasting and/or otherwise advertising the goods and services offered by members of the association for their primary and mutual benefit.

Article III of your Bylaws, states that only [redacted] franchisees shall be eligible to be members of the cooperative.

Article I of your Bylaws, states that [redacted] is an incorporated association of [redacted] franchisees located in the [redacted] metroplex. The cooperative is Franchisor's designee to administer the collection, disbursement and accounting of advertising fees paid by its members as required by the Franchisor under the terms of the [redacted] Franchise Agreement.

Article IV of your Bylaws, states that each member shall pay, on a weekly basis, the percentage of its gross sales specified by the Cooperative from time to time or the minimum amount required by Franchisor under the Franchise Agreement, whichever is greater.

Statements provided with your application indicate that your sale activity is to provide advertising for the members of the cooperative. The advertising is intended to increase sales and public recognition of Precision Tune franchisees.

Section 501(c) of the Code describes certain organizations exempt from Federal income tax under section 501(a) and reads, in part, as follows:

Code	Initiator	Reviewer	Reviewer	Reviewer	Reviewer	Reviewer	Reviewer
		[redacted]					
Surname		[redacted]					
Date		1/23/91					

[REDACTED]

"(6) Business leagues, chambers of commerce, real estate boards, 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 regulations provides as follows:

"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. \*\*\* "

Revenue Ruling 67-77, 1967-1 C.B. 138, states in part that an association of dealers selling a particular make of automobile which engaged in financing general advertising campaigns to promote the sale of that particular make was held not exempt because it was performing particular services for its members rather than promoting a line of business, i.e., the automotive industry as a whole.

In the case of National Muffler Dealers Association v. U.S., 440 U.S. 472 (1979) the court held that an association of a particular brand name of muffler dealers does not qualify for exemption because the association is not engaged in the improvement of business conditions of a line of business.

It is evident from the data furnished with your application that the primary purpose and activity of your organization is the advertisement of members' businesses, rather than primarily engaging in activities for the improvement of business conditions within the automotive/truck service industry as a whole.

Accordingly, we hold that you are operated primarily for the purpose of performing particular services for your members through advertisement for the members of the organization, thus, you do not qualify for exemption under section 501(c)(6) of the Code.

Therefore, you are required to file Federal income tax returns on Form 1120.

If you agree with these conclusions or do not wish to file a written protest, please sign and return Form 6018 in the enclosed self-addressed envelope as soon as possible.



If you do not agree with these conclusions, you may, within 30 days from the date of this letter, file in duplicate a brief of the facts, law, and argument that clearly sets forth your position. If you desire an oral discussion of the issue, please indicate this in your protest. The enclosed Publication 892 gives instructions for filing a protest.

If you do not file a protest with this office within 30 days of the date of this report or letter, this proposed determination will become final.

If you have any further questions, please contact the person whose name and telephone number are shown at the beginning of this letter.

Sincerely,



District Director

Enclosures:  
Publication 892  
Form 6018