

Internal Revenue Service

Department of the Treasury

District
Director

Delaware-Maryland District

31 Hopkins Plaza, Baltimore, MD 21201

Person to Contact:

Contact Telephone Number:

In Reply Refer to:

Date: **MAR 23 1999**



CERTIFIED MAIL

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 and have determined that you do not qualify for tax exemption under that section. Our reasons for this conclusion and the facts on which it is based are explained below.

The organization incorporated in [redacted] on [redacted] to be organized and operated exclusively for the purpose of improving business conditions in the [redacted] corridor of the City of [redacted] running from [redacted] to [redacted] Streets and from [redacted] to [redacted].

Income is derived from dues and expended for a shopper's guide, a newsletter, printing, auctions and travels promotions.

In operations the organization was formed to promote business in the [redacted] corridor, consisting of retail establishments on [redacted] Street from [redacted] to [redacted]. The organization publishes a merchant's shopper's guide, run ads in various publications, supply merchants' flags to shop owners, and advertise the street on the Internet.

[redacted] 27
5'

[REDACTED]

The aim of the organization is furthered by the following activities:

1. The establishment of the organization composed of members trying to achieve the common goal of the re-development of the [REDACTED].
2. The publication of the [REDACTED]'s Guide listing by address the various members business with description of activity, phone numbers and hours of operations.
3. The publication of a bi-monthly news magazine known as "[REDACTED]".
4. The establishment and maintenance of a computer web site, which lists the membership of the organization and related information.
5. The production and distribution of a [REDACTED] association Membership Flag and holder suitable for display on the premises of the member merchants.
6. The development and maintenance of Crime Prevention Hotline which quickly disseminates information to members about criminal activities in the area. (i.e., stolen or fraudulent credit cards, checks, shoplifters, purse-snatchers, etc.)
7. Works with various state and local agencies in furthering of self-promotion activities which are held at various times of the year such as "Art For Art Sake" and Merriment on Magazine held at Christmas time.
8. Provides a problem-solving forum for various problems between merchants, environmental problems such as street repairs and maintenance, landscaping in the area, etc.

Section 501(c)(6) of the Internal Revenue Code provides for exemption of business leagues, chambers of commerce, real estate board, boards of trade, and professional football leagues, which are 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 states that 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. 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.

Revenue Ruling 56-65, published in Cumulative Bulletin, 1956-1, on page 194, held that a local organization whose principal activity consisted of furnishing particular information and specialized individual service to its individual members engaged in a particular industry through publications and other means to effect economies in the operation of their individual businesses was performing particular services for individual persons. Such organization did not qualify for exemption under section 501(c)(6), of the Internal Revenue Code as a business league even though it performed functions, which were of benefit to the particular industry and the public generally.

Revenue Ruling 65-14, published in Cumulative Bulletin 1965-1, on page 236, held that an organization formed to promote the tourist industry in the area and whose principal activity is the publication of a yearbook consisting largely of paid advertisement for its members is not entitled to exemption from Federal income tax under section 501(c)(6) of the Internal Revenue Code.

The primary activity of your organization is to provide the public with a shopper's guides and website reflecting the names, addressees and telephone number of your members businesses. This activity provides a direct economic benefit to your members, thus, serving a particular service. Revenue Ruling 56-65.

In addition, your bi-monthly news magazine advertises for your members, which is a particular service to your members. Revenue Ruling 65-14 SUPRA

Based upon the facts within the case and the law cited above, we hold that your primary purpose is providing particular services to your members.

Therefore, 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 Code. In accordance with this determination, you are required to file Federal income tax returns on Form 1120.

If you do not agree with our determination, you may request consideration of this matter by the Office of Regional Director of Appeals. To do this you should file a written appeal as explained in the enclosed Publication 892. Your appeal should give the facts, law, and any other information to support your position. If you want a hearing, please request it when you file your appeal and you will be contacted to arrange a date. The hearing may be held at the regional office, or, if you request, at any mutually convenient district office. If someone who is not one of your principal officers will represent you, that person will need to file a power of attorney or tax authorization with us.

[REDACTED]

If you don't appeal this determination within 30 days from the date of this letter, as explained in Publication 892, this letter will become our final determination on this matter.

Appeals submitted which do not contain all the documentation required by Publication 892 will be returned for completion.

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

Sincerely,

[REDACTED]

[REDACTED]
District Director

Enclosure: Publication 892

cc: [REDACTED]