

INTERNAL REVENUE : 20.
District Director

Department of the Treasury

c/o McCaslin Industrial Park
2 Cupania Circle
Monterey Park, CA 91754
Attn: [REDACTED]

Date: June 19, 1993

[REDACTED]
Person to Contact: [REDACTED]

Telephone Number: [REDACTED]

Please reply by July 1, 1993

Dear Applicant:

We have considered your application for exemption from Federal income tax as an organization described in section 501(c)(16) of the Internal Revenue Code.

The information submitted with your application discloses that your organization was incorporated under the nonprofit laws of the State of [REDACTED] on [REDACTED].

Your purposes, as stated in your Articles of Incorporation, are, "to create, develop and disseminate advertising and marketing programs and campaigns of every kind and description in order to promote the retail sale, leasing or distribution of [REDACTED] products including without limitation, automobiles, trucks and parts and accessories therefor, and all services related to the maintenance and care of such products, such programs and campaigns to be primarily financed by and for the benefit of [REDACTED] Dealers located in and around the [REDACTED] area; and to provide a centralized source for the dissemination of information to such dealers relating to developments in the auto industry."

Your Application 1024, page 2, adds, "day to day activities will be conducted by the President and Vice-President from their dealerships located in [REDACTED], respectively. Major decision will be made by all Member dealers at regularly scheduled meetings."

Your application states that the criteria for membership are, "All individuals or entities that are actively engaged as dealers in the retail sale, leasing or distribution of [REDACTED] products and provide services related to the maintenance and care thereof in and around the [REDACTED] area. Each member has one (1) vote." and that, "[REDACTED], U.S. sales agent for the [REDACTED] factory, will provide Associations financial support."

There is no provision stated in either your Articles of Incorporation or by-laws for dissolution of your corporation.

Business leagues, chambers of commerce, real estate boards, of trade and professional football leagues, not organized for profit

[REDACTED]

and no part of the net earnings of which inures to the benefit of any private shareholder or individual are exempt from income tax under 501(a) and 501(c)(6) of the Internal Revenue Code.

To qualify for status as an organization exempt from Federal income tax under Code section 501(c)(6), the following requirements MUST be met:

1. It must be an association of persons having a common business interest;
2. Its purpose must be to promote a common business interest;
3. It must not be organized for profit;
4. It must not engage in an activity ordinarily engaged in for profit;
5. Its activities must 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;
6. It must be of the same general class as a chamber of commerce or a board of trade.

The courts have interpreted the term "line of business" to mean either an entire industry, or all components of an industry within a geographic area. The Internal Revenue Manual defines a "line of business" as a trade or occupation, the entry into which is not restricted by a patent, trademark, or similar device that would allow private parties to restrict the right to engage in business. The Service has applied this definition to an organization of dealers marketing a single brand of automobile (Revenue Ruling 67-77, copy attached), and an organization of licensees of a particular patented product, bottlers of a particular brand of soft drink (Revenue Ruling 68-182 (copy attached)). The position of the Service is that a "segment" of a "line of Business" is not a "line of business".

Your organization does improve business conditions for your members. However, your member's line of business promotes a particular manufacturer's product [REDACTED] and is considered merely a segment of a line of business. Since your organization's activities and goals are not directed toward improving conditions in a "complete" line of business, it is the position of the Internal Revenue Service that your organization does not qualify for exemption under section 501(c)(6).

Exemption cannot be available to aid one group in competition against another in an industry. Because your organization serves only [REDACTED] dealers and service entities, [REDACTED], if granted exemption from income tax, would gain a competitive edge over manufacturers of competing products.

Therefore, based on the information submitted, we have concluded that your organization is not entitled to exemption from Federal income tax as an organization described in Code section

[REDACTED]

501(c)(6) of the Internal Revenue Code.

If you are in agreement with this proposed determination, we request that you sign and return the enclosed Form 6018, Consent to Proposed Adverse Action. (Please note the instruction for signing on the reverse of the form.)

If you do not agree with this proposed denial of exemption from Federal income tax, please provide any further information that you feel would aid your case. Please back up your position with cites from the tax Code and Regulations.

Enclosed is a copy of Publication 892 which will explain your rights of appeal in this matter.

Yours very truly,

[REDACTED]
Tax Law Specialist

enc: Pub 892
Form 6018 and instructions (2)
Envelope (SASE)
Rev Rul 67-77
Rev Rul 68-182