

INTERNAL REVENUE SERVICE  
DISTRICT DIRECTOR  
EP/EO DIVISION, MS 7-4-01  
450 GOLDEN GATE AVENUE  
SAN FRANCISCO, CA 94102

DEPARTMENT OF THE TREASURY

Date:

Employer Identification Number:

Case Number:

Person to Contact:

Telephone Number:

Refer Reply To:

Dear Applicant:

We have considered your application for exemption from Federal income tax as an organization described in section 501(c)(6) of the Internal Revenue Code.

The information submitted discloses that you were incorporated under the Nonprofit Mutual Benefit Corporation Laws of the State of [REDACTED] on [REDACTED]. The specific purpose for which you were organized is to enhance the market competitiveness of independent natural food retailers in the [REDACTED] area by providing members opportunities for cooperative volume buying, joint marketing and advertising, and operations management education.

Your application provides that you act as a liaison between your members and manufacturers so members may pool their buying power and achieve larger wholesale discounts which allow them to compete with larger chains. [REDACTED] percent of your activities is cooperative volume buying by coordinating item selection and volume estimates between retail members, manufacturers and distributors.

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

"(6) 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 states, in part, 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....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 line of business as distinguished from the performance of particular services for individual persons."

In Contracting Plumbers Cooperative Restoration Corp., CA-2, 74-1 USTC ¶ 9140, 458 F.2d 684, a plumbers' cooperative, which was organized to mitigate the effects on the plumbing industry and the community of inefficient, delayed restoration of plumbers' cuts (holes in soil or cement made to repair city water and sewer lines) did not qualify as a business league.

Revenue Ruling 56-84, 1956-1 C.B. 201, provides that an organization formed to sell advertising in its members' publications of its members' writing did not qualify for exemption under section 501(c)(6) of the Code.

In Growers Cold Storage Warehouse C. v Commissioner, 17 B.T.A. 1729 (1929), an organization which operated a cold storage warehouse for its members on a cooperative basis did not qualify as a business league.

Your purpose and primary activity is to perform particular services for members by providing them opportunities for cooperative volume buying, joint marketing and advertising. Since your activities are not directed to the improvement of business conditions of one or more line of business as distinguished from the performance of particular services for individual persons, your organization does not meet the requirements under section 501(c)(6) of the Code.

Your purpose must not be engaged in a regular business of a kind ordinarily carried on for profit, even if the business is operated on a cooperative basis, or produces only sufficient income to be self-sustaining.

We concluded that you do not qualify for exemption from Federal income tax as an organization described in section 501(c)(6) of the Internal Revenue Code.

[REDACTED]

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You have agreed with our determination by executing Form 6018,  
Consent to Proposed Adverse Action, on June 12, 1998.

Accordingly, you are required to file income tax returns on  
Form 1120, annually, with your district director.

Sincerely yours,

[REDACTED]  
District Director.