

Internal Revenue Service

Department of the Treasury

District
Director

1100 Commerce St., Dallas, Texas 75242

Date: AUG 6 1996

Employer ID Number: [REDACTED]

Person to Contact: [REDACTED]

Telephone Number: [REDACTED]

Refer Reply To: [REDACTED]

Dear Sir or Madam:

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

You were incorporated on [REDACTED] under the laws of [REDACTED]. Your stated purpose is to promote [REDACTED] involvement with [REDACTED] through education, products provide [REDACTED] education, products and services.

You state your mission is to proactively promote utility involvement with [REDACTED] ([REDACTED]) through education and training and to work on behalf of your members to ensure that the [REDACTED] systems they purchase and install meet established design criteria as well as cost, performance and reliability standards. Through its [REDACTED] activities, [REDACTED] is improving economic viability while fostering the use of [REDACTED] by the nation's [REDACTED].

You state to accomplish its mission, the [REDACTED] will:

- * provide education, training, and installation support as required by member [REDACTED];
- * establish a forum for information exchange between [REDACTED] members and the [REDACTED] industry,
- * create standardized [REDACTED] system specifications for a variety of applications, to include [REDACTED] sizing, specification and design services where each member can receive customized assistance with their individual [REDACTED] system requirements.
- * coordinate [REDACTED] product purchases for appropriate applications;
- * coordinate [REDACTED] service program development where members can receive assistance in developing customer services programs, such as service territory audits, [REDACTED] tariff development, vendor qualification, system procurement, and service program marketing

* coordinated purchase support where combining the purchasing power of its small rural and municipal [redacted] members, not only offers cost effective products but also assures products that meet the specific needs/specifications of these [redacted]. As a result of this aggregated purchasing capability, the [redacted] is also able to encourage local support contractors and vendors to ally with each [redacted] to provide [redacted] customer services which means local jobs and a more stable local economy in rural communities serviced by the [redacted]'s member [redacted].

Your file indicates that the income will be derived as follows:

" It is anticipated that the [redacted]'s largest sources of financial support will be in the form of contracts from government agencies or supporting utility organizations"

" After contractual support from such groups, financial support to the [redacted] will be from membership dues and revenue generated from other member support activities."

In your letter of [redacted] explaining your gross receipts, you state that members receive as part of their annual membership an initial [redacted] hours of consultation. Members who request technical assistance with their specific [redacted] applications beyond the intitial [redacted] hours are billed for additional consultation time. Besides income from this service and income from contract support, which includes feasibility studies and other technology assessments, you have a large proportion of your income from product support. You provide unbiased, independent testing and evaluation of [redacted] technology in the market place. Your income derives from the provision of individual services for the benefit of your members.

Section 501(c)(6) of the Internal Revenue Code provides exemption for:

"Business leagues, chambers of commerce, ...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 provides that, for an organization to be exempt, 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..."

Section 1.501(c)(6)-1 of the Income Tax Regulations provides 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...even though the business is conducted on a cooperative basis or produces only sufficient income to be self-sustaining..."

Revenue Ruling 66-338, 1966-2 C.B. 226, held that an organization formed to promote the interests of a particular retail trade which advises its members

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eration of their individual businesses and sells supplies to them from Federal income tax under section 501(c)(6) of the Internal Code of 1954. The ruling held that the organization's activities its members with an economy and convenience in the conduct of their businesses by enabling them to secure products and services more than if they had to secure them on an individual basis.

uling 56-65, 1956-1 C.B. 199 found that a local organization whose activity consists of furnishing particular information and individual service to its individual members through publications means to effect economies in the operation of their individual s is not entitled to exemption from Federal income tax under section of the Internal Revenue Code of 1954 as a business league. The s constitute the performance of particular services for individual

uling 69-106, 1969-1 C.B. 153 concerned a manufacturers' organization ducted research and development in projects of common interest to lustry and made the results available only to its members rather than dustry as a whole. Although membership in the organization was open usiness in the industry on an equal basis, not all the business in the were members, therefore exemption was denied because the activities d to constitute the performance of particular services for individual

uling 59-234, 1959-2 C.B. 149 holds that a real-estate board whose purpose or activity is the operation of a multiple listing system is ed to be rendering particular services for its members and is not om Federal income tax as an organization described in section of the Internal Revenue Code of 1954.

the activities and operations shown in your application, your ion does not qualify for tax exemption under section 501(c)(6) of the cause the activities you describe provide the members of the ion with an economy and convenience in the conduct of their al business by enabling them to secure systems, supplies, equipment ces more cheaply than if they had to secure them on an individual

ous contracted consulting services, member and product services and perative volume discount purchases provided by your organization are o the services for members in described in Rev. Rul. 66-338. Like nization, you are providing particular services and supplies for your ore cheaply. You are also like the organizations in Rev. Rul 56-65 ul. 59-234 which supply specialized individual services to members herefor not exempt under section 501(c)(6) of the Code.

ivities : te the performance of particular services for gished from activities aimed at the improvement air-trade as a whole. They also constitute a y carried on for profit similar to business uch as you indicate your recipients will be the hours provided with initial membership.

ou are not entitled to exemption from Federal
described in section 501(c)(6) of the Code, and
al income tax return on Form 1120.

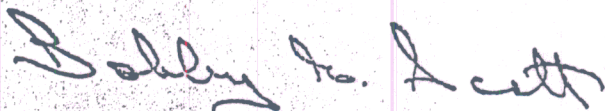
conclusions, you may, within 30 days from the
uplicate a brief of the facts, law, and argument
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a protest.

ith this office within 30 days of the date of
posed determination will become final.

sions or do not wish to file a written protest,
.8 in the enclosed self-addressed envelope as

ons, please contact the person whose name and
he beginning of this letter.

Sincerely,



Bobby E. Scott
District Director