

Internal Revenue Service
District Director

Department of the Treasury

Post Office Box 1680, GPO
Brooklyn, NY 11202

Date: SEP 6 1996

Person to Contact:

Contact Telephone Number:

Refer Reply to:

Employer Identification
Number:

CERTIFIED MAIL

Dear Applicant:

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

The evidence presented disclosed that your organization was incorporated on [REDACTED] in [REDACTED]. The organization was formed for the purpose of providing mutual benefits to local producers and consumers. Producers may enjoy the economic benefits of broader exposure to a consuming public while consumers may enjoy the benefits of direct purchasing from growers and producers. A further objective is to promote community vitality, by creating a pleasant, colorful outdoor market that not only serves as a market place, but also has a social gathering. This non-profit corporation shall be empowered to undertake all action necessary to carry out its objectives, and all other action appropriate to its goals.

The information submitted with your application Form 1024 states that your activities are as follow: [REDACTED] was organized for the purpose of providing mutual benefits to local growers/producers and consumers. Growers/producers enjoy the economic benefits of a marketplace for their goods and produce on Saturdays throughout the spring and summer months. The consumer benefits by buying goods directly from the producer/grower allowing for a freshness unavailable elsewhere. Consumer and grower/producer benefit from the interaction at the marketplace of which ideas and information are exchanged.

The following activities (listed in order of importance) are provided by and supported by the members of the [REDACTED]

1. Weekly Market

The market is held on [REDACTED] every Saturday from 9:00 to 1:00 starting mid-May through mid-October. The market is carried out by annual vending members of [REDACTED].

2. 5-A-Day Festival

On [REDACTED], a special festival was held during the regular [REDACTED] to promote the importance of five daily servings of fruits and vegetable. The event was sponsored by [REDACTED] and [REDACTED]. Many vendors at this market contributed goods and produce to the festival.

3. Taste of the Market

On [REDACTED] the vendors of the market provided free taste samples to the consumers to encourage feedback and to allow the consumers to try some new foods.

4. Harvest Festival

On [REDACTED] the market provided a pumpkin decorating contest, a pie judging contest, "Guess the Weight of the Giant Zucchini" and various games for the children. Free cups of cider were distributed to all.

5. [REDACTED] Photo Display

At each market, the [REDACTED] family provide a large photo display of their beef farm operation. The consumers love to see where their food is really coming from.

6. Cider Pressing Demonstration

On [REDACTED] a vendor and his family provided a display of cider making and free cups of freshly pressed cider.

7. Annual Memorial Pot Luck Dinner

In the fall of each year all members of the [REDACTED] are invited to a pot luck dinner. Each year the dinner is held at a different member's home and feedback is shared on the market year.

The organization's sources of income derives from annual membership dues and daily vendors fees. All revenues are used to advertise, correspond with the members, and to administer the operation of the market.

Section 501(c)(6) of the Code provides for the exemption from Federal income tax of business leagues not organized for profit, 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 defines a business league as an association of persons having some common business interest, the purpose of which is to promote such common interest. Its activities should be directed towards the improvement of business conditions in one or more lines of business as distinguished from the performance of particular services for individual persons.

An IRC 501(c)(6) organization's primary activity cannot be performing particular services for members.

The activities of a business league must be directed to the improvement of one or more lines of business. Whether or not the activities of a business league actually lead to real and permanent improvement of business conditions is immaterial as long as reasonably prudent businessmen believe they will improve business conditions.

The the following situations, exemption was denied because the activities were found to constitute the performance of particular services for individual persons:

1. A nurses association which maintains an employment register primarily for the employment of members is not exempt as it is the kind of business ordinarily carried on for-profit and it is engaged in rendering particular services for individual persons rather than promoting the general business conditions of the nursing profession (Rev. Rul. 55-656, 1955-2 C.B. 262.)
2. An organization whose principal activity is to provide a telephone answering service to distribute calls for towing service on a rotational basis to its members who are two truck owners and operators does not qualify for exemption. (Rev. Rul. 74-308, 1974-2 C.B. 168.)
3. A real estate board whose primary purpose or activity is the operation of a multiple listing system is considered to be rendering particular service for its members. (Rev. Rul. 59-234, 1959-2 C.B. 149.)

Your organization resembles the organizations cited in the above Revenue Rulings in that your organization provides services to members rather than to promote the general conditions of growers or producers industry. Your organization's activities are not directed toward the improvement of business conditions in one or more lines of business within the meaning of section 1.501(c)(6)-1 of the Income Tax Regulations, because you are aimed to increase the sales for individual members of your organization.

Accordingly, we conclude that you do not meet the requirements for exempt status under section 501(c)(6) of the Code and propose to deny your request for exemption under that section.

We have also determined that you fail to qualify for exempt status under any other subsection of IRC 501(c).

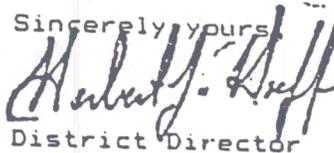
You are required to file a taxable return Form 1120 or 1041 with the District Director of Internal Revenue Service. Please send the return to the Internal Revenue Service, P.O. Box 1680, General Post Office, Brooklyn, NY 11202.

If you do not agree with this determination, you may request a Conference with the Regional Director of Appeals by protesting in accordance with the enclosed instructions within 30 days.

Protests submitted which do not contain all the documentation stated in the instructions will be returned for completion.

If we do not hear from you within that time, this determination will become final.

Sincerely yours,

A handwritten signature in cursive script, appearing to read "Herbert J. Duff".

District Director

Enclosure: Publication 892