

INTERNAL REVENUE SERVICE
District Director
2 Cupania Circle
Monterey Park, CA 91755-7406

Department of the Treasury

Date:

[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

Employer Identification

Number: [REDACTED]

Case Number:

[REDACTED]

Person to Contact:

[REDACTED]

Telephone Number:

[REDACTED]

Refer Reply To:

[REDACTED]

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 of 1986.

FACTS:

The information submitted discloses that you were formed as an unincorporated association under [REDACTED]

[REDACTED] The Third article of [REDACTED] Articles of Association states that "Said association is organized to inspire [REDACTED] business builders to passionately pursue [REDACTED]".

The activities of [REDACTED] as provided in your Form 1024 and supplement [REDACTED] are as follows:

1: [REDACTED] will organize and conduct meetings on the [REDACTED] and [REDACTED] of each month. The meeting on the [REDACTED] will be on product training. The focus is on the nutritional benefits of [REDACTED] products and how the products can enhance the quality of life for both humans and animals. The meeting on [REDACTED] is on business building and will focus on how to improve and expand an independent [REDACTED] business.

2: [REDACTED] will cooperate with [REDACTED] to provide all the necessary logistics in providing super seminar events for the purpose of greatly improving one's independent [REDACTED]. Six to eight events will be held in a year.

3: In cooperation with [REDACTED], [REDACTED] and [REDACTED], [REDACTED] will lend its support in both contribution and effort to these community and humanitarian minded organizations based on [REDACTED], "our vision is to make our [REDACTED] products

[REDACTED]

available to everyone and to create a generation of leaders, guided by a global vision of health, environmental integrity, economic abundance, and incredible quality of life for everyone."

4: The members of [REDACTED] will hold their executive meetings on [REDACTED] of each month for the purposes of planning and organizing all the above described events.

The membership requirement of [REDACTED] is that one must be an active [REDACTED] in good standing and must have obtained the level of [REDACTED] or higher.

The sources of financial support for [REDACTED] are [REDACTED] event registration fees, membership dues and commission on donated materials sold at events.

ISSUE:

Does the organization qualify for exemption as an organization described in section 501(c)(6) of the Internal Revenue Code of 1986?

LAW:

Section 501(c)(6) of the Internal Revenue Code provides for the exemption of business leagues, chambers of commerce, real estate boards, boards of trade, and professional football leagues (whether or not administering a pension fund for football players), 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) of the Income Tax Regulations define a business league as an association of persons (the term "Persons" includes legal entities such as trust and corporations) having a common business interest, whose purpose is to promote the common business interest and not to engage in a regular business of any kind ordinarily carried on for profit. Its activities are directed to the improvement of business conditions of one or more lines of business rather than the performance of particular services for individual persons.

In *National Muffler Dealers Association, Inc. v. United States*, 440 U.S. 472, Ct. D. 1997, 1979-1 C.B. 198 (1979), the United States Supreme Court held that an organization of muffler dealers franchised by Midas International Corporation does not qualify for exemption from federal income tax as a business league under section 501(c)(6) of the Code. The court held that Midas Muffler franchisees do not constitute a "line of business" and that the organization was not a "business league" within the meaning of Section 501(c)(6). The court concluded that exemption under section 501(c)(6) is not available to aid one group in competition with another within an industry.

The term "line of business" has been interpreted to mean an entire industry, see *American Plywood Association v. United States*, 267 F. Supp. 830 (W.D. Wash. 1967); and *National Leather & Shoe Finders Association v.*

[REDACTED]

Commissioner, 9 T.C. 121 (1947), acq., 1947-2 C.B. 3, or all components of an industry within a geographic area, see Commissioner v. Chicago Graphic Art Federation, Inc. 128 F.2d 424 (7th Cir. 1942); and Washington State Apples, Inc. v. Commissioner, 46 B.T.A. 64 (1942), acq., 1942-1C.B.17.

Organizations who have failed to meet the line of business test but were found to serve only a "segment of a line" include groups composed of businesses that have licenses to a single patented product (Revenue Ruling 58-294, 1958-1 C.B. 244); market a certain make of automobile (Revenue Ruling 67-77, 1967-1 C.B. 138); bottle one type of soft drink (Revenue Ruling 68-182, 1968-1 C.B. 263) or users of computers made by one manufacturer (Revenue Ruling 83-164, 1983-2 C.B. 95).

ANALYSIS AND CONCLUSION:

Based on the above cited laws, a business league is an organization which is not organized for profit and no part of the net earnings of which inures to the benefit of any private shareholder or individual. Furthermore, its activities are directed to the improvement of business conditions of one or more lines of business. The "line of business" is interpreted to mean an entire industry or all components of an industry within a geographic area. Accordingly, an organization composed of individuals from one manufacturer or distributors of a specific brand does not meet the "line of business" requirement and is not exempt under Section 501(c) (6).

Membership of your organization is restricted to [REDACTED] and the activities of your organization are directed toward [REDACTED]. Since [REDACTED] does not constitute the entire industry or all components of an industry within a geographic area, your organization is not for the improvement of a "line of business". By failing to meet the "line of business" requirement of a business league, you are not exempt under section 501(c) (6) of the Internal Revenue Code of 1986.

Accordingly, you are not entitled to exemption from Federal income tax as an organization described in section 501(c) (3) of the Code. You are required to file income tax returns, Form 1120, U.S. Corporate Income Tax Return, annually with your respective Service Center.

You have the right to protest this ruling if you believe that it is incorrect. To protest, you should submit a statement of your views, with a full explanation of your reasoning. This statement, signed by one of your officers, must be submitted within 30 days from the date of this letter. You also have the right to a conference in this office after your statement is submitted. You must request this conference, if you want one, when you file your protest statement. If you are to be represented by someone who is not one of your officers, that person will need to file a proper power of attorney and otherwise qualify under Conference and Practices Requirements.

If you do not protest this proposed ruling in a timely manner, it will be considered by the Internal Revenue Service as a failure to exhaust available administrative remedies. Section 7428(b) (2) of the Code provides, in part, that a declaratory judgement or decree under this section shall not

[REDACTED]

be issued in any proceeding unless the Tax Court, the Claims Court, or the District Court of the United States for the District of Columbia determines that the organization involved has exhausted administrative remedies available to it within the Internal Revenue Service.

If we do not hear from you within 30 days, this ruling will become final and copies will be forwarded to your Key District Director. Thereafter, if you have any questions concerning reporting requirements, please contact your District Director.

Sincerely Yours,

Steven A. Jensen
District Director

Enclosures: Form 6018
Publication 892