

Internal Revenue Service

District  
Director

Department of the Treasury

1100 Commerce St., Dallas, Texas 75242

Date: FEB 13 1990

Employer ID Number: [REDACTED]

Person to Contact: [REDACTED]

Telephone Number: [REDACTED]

Refer Reply To: [REDACTED]

[REDACTED]  
[REDACTED]  
[REDACTED]  
[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.

The information submitted discloses that you were incorporated on [REDACTED]

According to your Articles of Incorporation the corporation was organized and shall be operated for the exclusive purpose of placing advertising and administering local advertising programs for the benefit of [REDACTED] franchises in the greater [REDACTED] area in accordance with plans approved by the [REDACTED] and by [REDACTED]

Your sole activity is advertising and administering local advertising programs for the benefit of [REDACTED] franchises in the greater [REDACTED] area. [REDACTED] is a low fat frozen fruit drink. Advertisements are placed in fitness magazines and on the local radio station. Free samples are distributed at local events such as the [REDACTED] and the [REDACTED]

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

The applicable Income Tax Regulations provide that organizations contemplated by Section 501(c)(6) of the 1986 Code are those whose activities are directed to the improvement of business conditions of one or more lines of business as distinguished from the performance of particular services for individuals.

Therefore, an organization which directs a substantial portion of its overall activities to the issuance of advertising material containing listings of the

names of individuals may be precluded thereby from qualification for exemption under Section 501(c)(6) of the Code.

Rev. Rul. 55-444, 1955-2 C.B. 258 states that an organization formed to promote the business of a particular industry and which carries out its purposes primarily by conducting a general advertising campaign to encourage the use of products and services of the industry as a whole is entitled to exemption from Federal income tax as a business league under Internal Revenue Code Section 501(c)(6), notwithstanding the fact that such advertising to a minor extent constitutes the performance of particular services for its members.

Rev. Rul. 65-14, 1965-1 C.B. 236 provides that an organization formed to promote the tourist industry in its area, whose principal activity is publishing a tourist guidebook and other advertising matter containing listings of the names of individual members, is performing particular services for its members and is accordingly not exempt under Internal Revenue Code Section 501(c)(6).

Revenue Ruling 67-77, 1967-1 C.B. 138 provides that an association of dealers selling a particular make of automobile which engaged in financing general advertising campaigns to promote the sale of that particular make was held not exempt because it was performing particular services for its members rather than in promoting a line of business, i.e., the automotive industry as a whole.

Your activities are aimed at the performance of particular services for your individual members as distinguished from the improvement of business conditions generally as required by Section 1.501(c)(6) of the Income Tax Regulations. You are not promoting the business of an entire industry like the organization in Revenue Ruling 55-444, which was found to qualify for exemption. You are not promoting the health industry, or the soft drink industry, or any other industry.

You are promoting a particular franchise like the organization in Revenue Ruling 67-77, which did not qualify for exemption. Like the association of automobile dealers and the organization in Revenue Ruling 67-77 publishing a tourist guidebook with advertising for its individual members, you are performing a particular service for your members and do not qualify for exemption under section 501(c)(6) of the Code.

We have 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. Accordingly, you are required to file Federal income tax returns on Form 1120.

If you do not agree with these conclusions, you may, within 30 days from the date of this letter, file in duplicate a brief of the facts, law, and argument that clearly sets forth your position. If you desire an oral discussion of the issue, please indicate this in your protest. The enclosed Publication 892 gives instructions for filing a protest.

If you do not file a protest with this office within 30 days of the date of this letter, this proposed determination will become final.

If you agree with these conclusions or do not wish to file a written protest, please sign and return Form 6018 in the enclosed self-addressed envelope as soon as possible.

If you have any further questions, please contact the person whose name and telephone number are shown at the beginning of this letter.

Sincerely,

*Ellen Murphy*

Acting District Director

Enclosures:  
Publication 892  
Form 6018

Department of the Treasury Internal Revenue Service  
**Consent to Proposed Adverse Action**  
(All references are to the Internal Revenue Code)

Prepare In  
Duplicate

|  |  |
|--|--|
| Case Number<br>[REDACTED]  | Date of Latest Determination Letter<br>--- |
| Employer Identification Number<br>[REDACTED]   | Date of Proposed Adverse Action Letter     |
| Name and Address of Organization<br>[REDACTED]<br>[REDACTED]<br>[REDACTED]<br>[REDACTED] |  |

I consent to the proposed adverse action relative to the above organization as shown by the box(es) checked below. I understand that if Section 7428, Declaratory Judgments Relating to Status and Classification of Organizations under Section 501(c)(3), etc. applies, I have the right to protest the proposed adverse action.

**NATURE OF ADVERSE ACTION**

- Denial of exemption
- Revocation of exemption, effective
- Modification of exempt status from section 501(c)( ) to 501(c)( ), effective
- Classification as a private foundation (section 509(a)), effective
- Classification as a non-operating foundation (section 4942(j)(3)), effective
- Classification as an organization described in section 509(a)( ), effective
- Classification as an organization described in section 170(b)(1)(A)( ), effective

If you agree to the adverse action shown above, please sign and return this consent. You should keep a copy for your records.

If you sign this consent before you have exhausted your administrative appeal rights, you may lose your rights to a declaratory judgment under section 7428.

*(Signature instructions are on the back of this form.)*

|                      |      |
|----------------------|------|
| Name of Organization |      |
| Signature and Title  | Date |
| Signature and Title  | Date |