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Date 3-19-96

Surname Walt

[REDACTED]

[REDACTED]

[REDACTED]

CP:E:EO:T:5

FEB - 6 1996

Employer Identification Number: [REDACTED]
Key District: Brooklyn, NY

Dear Applicant:

We have considered your application for recognition of exemption from federal income tax as an organization described in section 501(c)(6) of the Internal Revenue Code. We have determined that you do not qualify for exemption under that section of the Code. Our reasons for this conclusion and the facts upon which it is based are explained below.

The information submitted indicates that you were incorporated under the [REDACTED]. Your Articles of Incorporation state that you are organized to promote sound economic development between the Russia Federation and the United States of America, particularly the [REDACTED] area and the Republic of [REDACTED]; to coordinate public and private efforts to attract, to encourage, to finance, and to develop desirable private industry in each area; to foster, encourage, and assist the physical location and expansion of business enterprises within each area; to cooperate with existing local development groups to attain mutual objectives, including sharing expenses, assuming responsibility for completion of existing projects, and promoting local projects; and to accept financial contributions and enter into financing arrangements for the furtherance of your objectives.

Your bylaws state that any person residing in or organization doing business in the United States of America and particularly [REDACTED] County or [REDACTED] County, [REDACTED], or in the Russian Federation and particularly the Republic of [REDACTED], may be considered for membership in your organization. Your bylaws also state that you shall have at least twenty-five members and must include representatives from each of the following four groups: (1) local government, (2) a private sector lending institution, (3) a community organization, and (4) a business organization. Your bylaws also state that from time to time you may adopt a schedule of dues for membership.

[REDACTED]

In your application, you state that you are an outgrowth of activities of the [REDACTED] Corporation (an organization described in section 501(c)(6) of the Code), hereinafter referred to as [REDACTED], with activities defined as those activities and board members from the [REDACTED] region. You state that you more accurately define the activities and members of the board of the participating companies and individuals. You also state that you will operate the [REDACTED], a facility that will be a communications center and meeting house for the purpose of creating business relations between the two areas and the various business people operating in each area. You state that the [REDACTED] will put on cultural events, educational seminars, and provide a display area for crafts and products of [REDACTED].

Your financial projections in your application show that you expect your income to be solely from house sales, product sales, management contracts, and yearly grants from [REDACTED]. You state in your application that the operation of your program initially was funded by [REDACTED] through grants from the State of [REDACTED]. You state that you operate in cooperation with a number of organizations taking part in exchanging information with [REDACTED]. Once your welcome center is available, you state that you hope to develop a monthly schedule for various events such as storytelling, dance groups, singers, and craftspersons.

In your letter dated [REDACTED], you state that the products to be displayed in the [REDACTED] are now on consignment and as your budget builds up, it is your desire to start paying for the products. You state that the product sales are of items made from wood, pottery, stone, etc., and that the cost of bringing these products into the United States is near or greater than what the market will pay. You state that house sales are based on various designs of the welcome center, a log home. The house is pre-constructed in a kit form and shipped to a port nearest construction, where a crew of volunteers, with Russian supervision, puts up the house. You state that currently there has been a lot of interest in the design, but that it does not compete with log homes made in [REDACTED] and Canada because of cost, and that therefore the pricing structure will continue to be looked at. You state that you do not actively pursue brokerage or import/export business outside your current marketing area, but that is a good media for future sales of [REDACTED] products. You also state that the development of joint ventures is becoming the major thrust, since there are products being sold in Russia, such as drilling equipment, earth moving equipment, and a land development project.

integrated with the purchase of granite in block form to be manufactured in [REDACTED] for finished products such as memorials, gifts, architectural products, and landscaping products. You also state that you see many potential joint partnerships where you would be involved with the financing of plant and equipment in your area.

Section 501(c)(6) of the Code provides for the exemption from federal income tax of business leagues, chambers of commerce, real-estate boards, or boards of trade, 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 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. 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 lines of business as distinguished from the performance of particular services for individual persons.

Rev. Rul. 56-65, 1956-1 C.B. 199, holds that a local organization whose principal activity consists of furnishing particular information and specialized individual services to its individual members engaged in a particular industry, through publications and other means to effect economies in the operation of their individual businesses is performing particular services for individual persons. Such organization, therefore, is not entitled to exemption under section 501(c)(6) of the Code as a business league even though it performs functions which are of benefit to the particular industry and the public generally. The activities of the organization consisted of the maintenance of plan rooms for the convenience of members, where plans and specifications for local construction projects, together with the names of general contractors bidding on specific projects, are filed.

Rev. Rul. 59-234, 1959-2 C.B. 149, holds that a real estate board whose primary purpose or activity is the operation of a multiple listing system is considered to be rendering particular services for its members and is not exempt under section 501(c)(6) of the Code. The Revenue Ruling concludes that it is apparent that the multiple listing system is inherently designed for the rendering of particular services for individual members as a convenience and economy in the conduct of their respective businesses and that the organization, therefore, instead of

[REDACTED]

If we do not hear from you within 30 days, this ruling will become final and copies of it will be forwarded to your key District Director. Thereafter, any questions about your federal income tax status should be addressed to your key District Director.

When sending additional letters with respect to this case to the Internal Revenue Service, you will expedite their receipt by placing the following address on the envelope:

Internal Revenue Service
CP:E:EO:T:5-CCH, Room 6539
1111 Constitution Avenue, N.W.
Washington, D.C. 20224

Sincerely yours,

[REDACTED]

[REDACTED]
Chief, Exempt Organizations
Technical Branch 5

cc: DD, Brooklyn
Attn: EO Group

CP:E:EO:T:5 C/EXEMPT: 5
[REDACTED] [REDACTED]
2-5-96
by [REDACTED]
2-5-96