

Internal Revenue Service

Department of the Treasury

Director

~~35 NASSAU ST. BROOKLYN, N.Y. 11201~~
P.O. Box 1880 Brooklyn, NY 11202

Date: **AUG 24 1983**

Person to Contact:

Contact Telephone Number:

Refer Reply to:

CERTIFIED MAIL

Gentlemen:

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

The evidence presented disclosed that you were incorporated on [REDACTED] under the laws of the State of [REDACTED]. Your purposes are: (a) To associate its members together for their mutual benefit as businessmen and taxpayers working and/or residing on [REDACTED]; to foster the trade, commerce and interest of its member; to seek protective legislation and ordinances for the benefit of its members; and to present its members' point of view to local municipal, state and federal agencies and to the public.

Your membership consists of the record holders of a franchise for a "[REDACTED]" issued by the [REDACTED] or the spouse of such record holders if the spouse is not also a record holder. Your activities include the interacting of owners to discuss and solve mutual problems, providing dividend paying Workmens Compensation, providing a legal counselor to review and advise on contractual matters and to answer questions, special programs and monthly presentations by various vendors. Your only source of income is from membership dues.

Section 501(c)(6) of the Internal Revenue Code provides for the exemption of business leagues 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 defines a business league as an association of persons having a common business interest, with a purpose to improve business conditions instead of to perform particular services for the individual members.

In addition, Regulations section 1.501(c)(6)-1 states that the organization activities should be directed to the improvement of the business conditions of one or more lines of business as distinguished from the performance of particular services for individual persons.

In the case of National Mufflers Dealers Association, Inc. before the U.S. Court of Appeals, 2nd circuit, number 77-6106, November 21, 1977, a trade association organized by franchises of an auto muffler replacement company was deemed not to be a tax exempt business league within the meaning of code section 501(c)(6). This was so because the organization's activities were limited to one private firm rather than being directed to the improvement of business conditions within the muffler repair industry in general.

On the basis of the evidence presented we hold that your organization is organized to promote the personal business interests of your members and not for the improvement of business conditions of the entire industry. Your organization operates special programs on various products to increase your members gross profits and also makes available dividend paying Workmen's Compensation. This constitutes particular services for members which is prohibited under section 501(c)(6) of the Internal Revenue Code. In addition, your membership is open only to 7-11 franchise owners which proves that the benefits given are not for the entire industry. Therefore, your organization does not qualify for exemption under section 501(c)(6) of the Internal Revenue Code.

Your organization does not qualify for exemption under section 501(c)(4) as a local association of employees since your members are not employees of one firm but are independent business people. Furthermore, we have determined that your organization would not qualify for exemption under any other section of the Code.

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 the 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 completions.

Sincerely yours,



District Director

cc:



Enclosure: Publication 892