

INTERNAL REVENUE SERVICE
DISTRICT DIRECTOR

DEPARTMENT OF THE TREASURY

P.O. Box 2350
Los Angeles, CA 90053

Person to Contact:

Telephone Number:

Refer Reply to:

EIN:

Date: DEC 30 1991

[REDACTED]

Dear Sir or Madam:

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.

The information submitted discloses that you were incorporated under the nonprofit corporation laws of the State of [REDACTED] on [REDACTED].

According to your Articles of Incorporation, your specific purpose is to conduct advertising for the [REDACTED] dealers, as well as the other activities associated with the [REDACTED].

Information you have submitted states that your primary purpose is to promote the [REDACTED] to both the local community and adjacent communities such as [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED] and [REDACTED]. Your primary activity is advertising, including television, radio, print and billboards. The advertising fulfills your purpose as it increases the awareness of the [REDACTED] as a convenient, one-stop place to compare and shop for automobiles. The advertising is not limited to any particular dealership or manufacturer of automobiles, but instead is for the entire [REDACTED].

Your entire income is derived from members' dues. All members operate showrooms for the sale of new or used automobiles at the [REDACTED]. Of a total income of \$[REDACTED] in members' dues for [REDACTED], \$[REDACTED] was expended for advertising.

Section 501(c) of the Code describes certain organizations exempt from income tax under section 501(a) and reads, in part, as follows:

"(6) 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."

Revenue Ruling 64-315, 1964-2 C.B. 147, deals with an association of merchants whose businesses constituted a shopping center. This association expended its funds and engaged exclusively in advertising in various newspapers and on television and radio in order to attract customers to the shopping center. The advertising contained the names of member merchants and their merchandise. The organization published an advertising newspaper referred to as the "shopping news." The "shopping news" consisted primarily of advertising by individual member merchants paid for by those member merchants. The association also advertised in other community publications, sponsored commercial advertising on television and radio and certain promotions designed to attract shoppers to the shopping center. The association's income was derived from assessments paid by the merchants and landlords of the shopping center. The expense of publishing the shopping news was approximately 50% of the organization's expenditures.

This revenue ruling concluded that:

"For an organization to meet the requirements for exemption as a chamber of commerce or business league within the meaning of the above-quoted provisions of the Code and regulations, the advertising in which the organization engages must benefit business in the community generally, or an industry as a whole. See Rev. Rul. 55-444, C.B. 1955-2, 258.

"Under the circumstances described above, the publication of a shopping news, advertising in other publications and also by radio and television, by which means the organization advertises the merchandise and the names of its member merchants, is shown to be the primary purpose and activity of the organization. Such activity constitutes the performance of particular services for members rather than an activity directed to the improvement of business conditions generally as required by the applicable regulations.

████████████████████

"Accordingly, it is held that the organization does not qualify for exemption from Federal income tax as an organization described in section 501(c)(6) of the Code."

Revenue Ruling 73-411, 1973-2 C.B. 180, also deals with a shopping center merchants' association whose membership was restricted to and required of the tenants of a corporately-owned shopping center. This revenue ruling concluded that the organization did not qualify for exemption as a business league under section 501(c)(6) of the Code because it was directed to promoting the general business interests of the membership.

Revenue Ruling 58-224, 1958-1 C.B. 242, deals with an organization which operates a trade show as its sole activity; the advertising for this trade show primarily provides a particular service to individual persons. This revenue ruling concludes that:

"the activities of the instant organization substantially serve the exhibitors and retailers as a convenience and economy in the conduct of their businesses. In conducting the show, it provides direct advertising and publicity campaigns for distributors, eliminates substantial travel on the part of such distributors and provides, primarily, selling opportunities for them, as well as opportunities for retailers to see all types of the merchandise in question under one roof. Therefore, it is the position of the Internal Revenue Service that the instant organization is rendering particular services for individual persons as distinguished from the improvement of business conditions generally."

Your organization, like those cited above, is engaged in providing advertising for individually named members who are tenants of a shopping mall. Therefore, rather than promoting a common business interest or improving business conditions as required by section 501(c)(6) of the Code, you are providing a particular service for members.

Therefore, 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 Code.

Accordingly, you are required to file income tax returns annually with your District Director.

Contributions made to you are not deductible as charitable contributions as defined in section 170(c) of the Code.

If you are in agreement with this proposed determination, we request that you sign and return the enclosed agreement Form 6018, Consent to Proposed Adverse Action. Please note the instructions for signing on the reverse side of this form.

If you are not in agreement with this proposed determination, we recommend that you request a hearing with our office of Regional Director of Appeals. Your request for a hearing should include a written appeal giving the facts, law, and any other information to support your position as explained in the enclosed Publication 892. You will then be contacted to arrange a date for a hearing. The hearing may be held at the office of Regional Director of Appeals or, if you request, at a mutually convenient District Office. A self-addressed envelope is enclosed.

If we do not hear from you within 30 days from the date of this letter, and you do not protest this proposed determination in a timely manner, it will become our final determination in this matter.

We have sent a copy of this letter to your representative as indicated in your power of attorney.

Sincerely yours,

District Director

Enclosures:
Publication 892
Form 6018
Self-addressed envelope

Form **6018**
(Rev. August 1983)

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 [REDACTED] Date of Latest Determination Letter

Employer Identification Number [REDACTED] Date of Proposed Adverse Action Letter

Name and Address of Organization
[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
[REDACTED]

Signature and Title Date

Signature and Title Date