

CERTIFIED MAIL

EP/EO:T

SEP 13 1989

Dear Applicant:

We have completed our review of the Application for Recognition of Exemption from Federal income tax under section 501(c)(6) of the Internal Revenue Code which you filed.

The evidence submitted indicates that you were formed [redacted], under the laws of [redacted] to provide a forum for the physicians relative to the delivery of quality, efficient and comprehensive health care to the public they serve. In the event of the dissolution of the corporation, all of the assets and property, if any, after payment and satisfaction of all claims and demands shall be conveyed and transferred to such organization as the membership of the corporation shall determine or as may be ordered by the court having jurisdiction.

Membership in the corporation will be extended to either active, associate active or Emeritus members of the medical staff of [redacted] who complete the application form provided by the board and who pay the membership fees and dues approved by the membership. Membership may be terminated for nonpayment of fees, dues and assessments or for failure to maintain membership on the Medical Staff of [redacted].

Your organization's activities, as stated in your application, include discussion of topics relating to the delivery of health care in the community. The organization also expects to discuss common problems with third party providers of health care and also provide programs for member to understand changes in medicare regulations.

Income to the organization comes from dues and membership fees. Expenses have been for legal fees, supplies, clerical services and medicare fees.

Code	Initiator	Reviewer	Reviewer	Reviewer	Reviewer	Reviewer	Reviewer
	1204	1204	EP/EO:T				
Surname	[redacted]	[redacted]	[redacted]				
Date	7/29/89	7-31-89	8/31/89				

Section 501(c)(6) of the Internal Revenue Code provides for the exemption from Federal income tax 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.

Income tax regulation 1.501(c)(6)-1 states that the activities of a business league "should be directed to the improvement of business conditions in one or more lines of business." 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. A stock or commodity exchange is not a business league, a chamber of commerce or a board of trade within the meaning of section 501(c)(6) and is not exemption tax..."

In National Huffer Dealer Association, Inc. v. U.S., 440 U.S. 472 (1973) a trade association confined its membership to dealers franchised by a particular company and its activities to the business of that company. In this case, the court ruled that the organization was not entitled to exemption under section 501(c)(6) since its activities and membership does not serve the industry as a whole but only a segment of a line of business.


Our review of the application filed by your organization indicates that you are not entitled to exemption under section 501(c)(6) since your membership is limited to the medical staff of a specific hospital and does not include members of the medical industry as a whole from within the community. Under this type of operation, your organization does not meet the requirement that your activities improve conditions in one or more lines of business and your activities do not serve the individual profession as a whole, but only the members of your association.

Based on the information submitted, we have determined that you are not entitled to exempt status under section 501(c)(6) and are a taxable entity. You are required to file Federal income tax returns on Form 1120.

If you do not agree with our determination, you may request consideration of this matter by the Office of Regional Director of Appeals. To do this, you should file a written appeal as explained in the enclosed Publication 892. Your appeal should give the facts, law, and any other information to support your position. If you want a hearing, please request it when you file your appeal and you will be contacted to arrange a date. The hearing may be held at the regional office, or, if you request, at any mutually convenient district office. If you will be represented by someone who is not one of your principal officers, that person will need to file a power of attorney or tax information authorization with us.

If you do not appeal this determination within 30 days of the date of this letter, as explained in the enclosed Publication 892, this letter will become our final determination on this matter.

Sincerely yours,


District Director

Enclosure: Publication 892