

[REDACTED]

[REDACTED]
[REDACTED]

EP/EO:T

SEP 22 1993

CERTIFIED MAIL

Dear Applicant:

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

The evidence submitted indicates that you were incorporated [REDACTED], under the laws of [REDACTED] for the purpose of operating and maintaining [REDACTED] and any other lawful purpose.

Membership in your organization is only open to owners of property within the [REDACTED] and you stated that no outside merchants are permitted to join the Association. You have also indicated that organizations in your association include approximately [REDACTED] businesses representing insurance, real estate and the engineering professions.

The activities of your organization, as stated in your application and subsequent letter to us indicate that your current and proposed activities include holding quarterly meetings to discuss problems and issues concerning [REDACTED].

You further indicate that "the current issues and problems are traffic safety within the confines of the [REDACTED] and the adjacent traffic intersections." You also state that you have hired police assistance to supervise the traffic leaving the center. You are currently engaged in discussions concerning the widening of your roads and installation of traffic signal equipment.

Code	Reviewer	Reviewer	Reviewer	Reviewer	Reviewer	Reviewer
[REDACTED]	[REDACTED]	[REDACTED]				
Surname	[REDACTED]	[REDACTED]				
Date	9-17-93	9/20/93	9-22-93			

[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, and professional football leagues, 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.

Section 1.501(c)(6)-1 of the Income Tax Regulations states 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. 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.

Revenue Ruling 73-411, 1973-2, C.B. 180, concerns a shopping center merchant's association whose membership is restricted to and required of the tenants of a one-owner shopping center and their common lessor. No business concerns, firms or individuals other than the tenants of the center are eligible to join the association.

The organization's activities included providing a forum for communicating and exchanging views between owner and tenants of the center respecting matters related to their tenant-owner relationship, and developing and enforcing any rules concerning maintaining and policing of shopping areas, walkways and parking areas.

In discussing the characteristics needed to be exempt under section 501(c)(6), the court noted that an organization must be one that directs its activities at promoting the common economic interests of all commercial enterprises within a given trade community. Since this organization was not structured along particular industry or business lines, but was composed of various types of business endeavors, the Revenue Ruling cited states that, the shopping center must demonstrate that it is similar to a chamber of commerce or board of trade.

In this case, the court ruled that since the organization had compulsory membership and did not serve the broad interests of a particular line of business or industry, it did not qualify for exemption under section 501(c)(6).

Revenue Ruling 59-391, published in Cumulative Bulletin 1959-2 on page 151, held that an organization composed of individuals, firms, associations, and corporations, each representing a different trade, business, occupation or profession whose purpose is to exchange information on business prospects has no common business interest other than a mutual desire to increase their individual sales. The activities are not directed to the improvement of one or more lines of business, but rather to the promotion of the private interests of its members.

[REDACTED]

From the information you have submitted, and which has been cited in this letter, your organization is similar to the organizations described in the above revenue rulings in that your activities are not directed to the improvement of business conditions in one or more lines of business and do not promote the economic interests of all commercial enterprises within a given trade or industry. You have also not demonstrated that your activities are similar to a chamber of commerce or board of trade as required for tax exempt status under section 501(c)(6), and as described in Revenue Ruling 73-411.

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. In accordance with this determination 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 authorization with us.

If you don't appeal this determination within 30 days from the date of this letter, as explained in Publication 892, this letter will become our final determination on this matter.

Appeals submitted which do not contain all the documentation required by Publication 892 will be returned for completion.

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

Sincerely yours,

[REDACTED]
District Director

Enclosure: Publication 892