

INTERNAL REVENUE SERVICE

DEPARTMENT OF THE TREASURY  
St. Louis Appeals Office  
133 South 11th Street, Suite 200  
St. Louis, MO 63102

DATE: APR 17 1995

KEY DISTRICT:

Chicago

YEAR:

PERSON TO CONTACT:

CONTACT TELEPHONE NUMBER:

Dear Sirs:

We considered your appeal of the adverse action proposed by your key District Director.

Your request for exemption from Federal income tax under section 501(c)(6) of the Internal Revenue Code is denied.

You are required to file Federal income tax returns on Form 1120. You should file these returns with your key District Director, EP/EO Division, within 30 days from the date of this letter, unless a request for extension of time is granted. Attach a copy of this letter to each return. Send returns to the address shown below:

IRS - DPN 22-3  
P.O. Box A-3290  
Chicago, IL 60690

You may direct questions about the decision to the appeals officer whose name and telephone number are shown above.

Sincerely yours,

Associate Chief  
St. Louis Appeals Office

4-5-95

Internal Revenue Service

Department of the Treasury

District  
Director

230 South Dearborn Street  
Chicago, Illinois 60604

Person to Contact: [REDACTED]

Telephone Number: [REDACTED]

Refer Reply to:  
[REDACTED]

[REDACTED]

**CERTIFIED**  
7-745 024 679

Date: **SEP 21 1994**

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.

The information submitted discloses that you were incorporated on [REDACTED], under the not for profit corporation laws of the State of [REDACTED].

The following purpose appears in your Articles of Incorporation:

- (a) To foster and promote retail trade and commerce in connection with the products and services of the members, and to protect the same from unjust and unlawful exactions and impositions.
  - (b) To foster and promote the interests of those persons, firms and corporations engaged in the retailing of [REDACTED] vehicles in the [REDACTED].
  - (c) To conduct and operate means and places of disseminating information relative to the use of motor vehicles, and to promote the sale of motor vehicles and for such purposes. To establish, conduct, and manage advertising campaigns, exhibitions, displays, tests, trails and demonstrations.
  - (d) To promote the establishment and maintenance of a high standard of business ethics by members of the corporation and by all other automobile/truck dealers and to discourage the use of false or misleading advertising or any other business practice which may be detrimental to the public and to the retail automobile/truck industry.
- [REDACTED]

██████████

According to your application Form 1024, your only activity is to engage in the marketing (advertising) of services and products of your members. You have hired a marketing firm to perform the advertising services. The marketing activities will include the use of television, radio, newspaper and other media in ██████████, ██████████ and other nearby cities to promote the products and services of your members. The advertising is carried on year-round with the funds used only for group advertising and merchandising of new ██████████ products.

Membership is limited to ██████████ Dealers in or about the ██████████, who are duly authorized holders of selling agreements with the ██████████. There are no membership dues.

Your income of the Association is from distributions made by ██████████ to the Association to be used for marketing activities. The distributions are based on █% of the Manufactures Suggested Retail Price (MSRP) of each truck shipped to your members from ██████████. Expenses include media costs, marketing firm fees and administrative costs.

Section 501(c)(6) of the Internal Revenue Code provides for exemption of "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."

Section 1.501(c)(6)-1 of Income Tax Regulations reads as follows:

"BUSINESS LEAGUES, CHAMBERS OF COMMERCE, REAL ESTATE BOARDS AND BOARDS OF TRADE. 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. An organization whose purpose is to engage in a regular business of a kind ordinarily carried on for profit, even though the business is conducted on a cooperative basis or produces only sufficient income to be self-sustaining, is not a business league. An association engaged in furnishing information to prospective investors, to enable them to make sound investments, is not a business league, since its activities do not further any common business interest, even though all of its income is devoted to the purpose stated. 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 exempt from tax. Organizations otherwise exempt from tax under this section are taxable upon their unrelated business taxable income. See sections 511 to 515, inclusive, and the regulations thereunder.

The applicable Income Tax Regulations provide that organizations contemplated by Section 501(c)(6) of the 1986 Code are those whose activities are directed to the improvement of business conditions of one or more lines of business as distinguished from the performance of particular services for individuals. Therefore, an organization which directs a substantial portion of its overall activities to the issuance of advertising material containing listings of the names of individuals may be precluded thereby from qualification for exemption under Section 501(c)(6) of the Code.

Revenue Ruling 67-77 1967-1 C.B. 138. holds that an organization composed of dealers in a certain make of automobile in a designated area is organized and operated for the primary purpose of financing general advertising campaigns to promote, with funds contributed by dealer members, the sale of that make of automobile is performing particular services for its members and is not entitled to exemption from federal income tax as a business league under section 501(c)(6) of the Internal Revenue Code.

In National Muffler Dealers Association V. United States, 4490 U.S. 472 (1979). The court concluded that an association of a particular brand name of muffler dealers does not qualify for exemption because the association is not engaged in the improvement of business conditions of a line of business.

Your organization is similar to the one described in the above revenue ruling. You are organized to promote the business and sales of your individual members in [REDACTED] through advertising campaigns. You are performing particular services for members by providing advertising which carries the names of your members. As in the National Muffler Dealers court case, your organization is not engaged in any activities to promote a line of business, but a specific brand of truck, which all members sell. You do not qualify for exemption as a business league because you are not organized to improve a line of business, but to perform particular services for your individual members.

[REDACTED]

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 Internal Revenue Code. Accordingly, you are required to file Federal income tax returns on Form 1120, annually with your District Director.

If you do not agree with these conclusions, you may within 30 days from the date of this letter, file a brief of the facts, law and arguments (in duplicate) which clearly sets forth your position. In the event you desire an oral discussion of the issues, you should so indicate in your submission. A conference will be arranged in the Regional Office after we have had an opportunity to consider the brief and it appears that the conclusions reached are still unfavorable to you. Any submission must be signed by one of your principal officers. If the matter is to be handled by a representative, the Conference and Practice Requirements regarding the filing of a power of attorney and evidence of enrollment to practice must be met. We have enclosed Publication 892, Exempt Organization Appeal Procedures for Adverse Determinations, which explains in detail your rights and procedures.

Please keep this determination letter in your permanent records.

If you agree with this determination, please sign and return the enclosed Form 6018.

If we do not hear from you within 30 days from the date of this letter, this determination will become final.

Sincerely yours

[REDACTED]

*js* District Director

Enclosures:  
Publication 892  
Form 6018