

[REDACTED]

1993
DATE 3/12/93
[REDACTED]
[REDACTED]

Employer Identification Number: [REDACTED]
Key District: Atlanta, GA

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. We have determined that you fail to qualify for exemption under that section of the Code. Our reasons for this conclusion and the facts upon which it is based are explained below.

The information submitted indicates that you were incorporated on [REDACTED]. You have submitted an application for exemption under section 501(c)(6) of the Code. Your specific and primary purpose, as stated in your Articles of Incorporation, is to formulate and implement a golf marketing campaign that seeks to increase the number of visitors to the [REDACTED]. You will function in a partnership with [REDACTED] to develop a basic marketing plan which can be expanded and improved upon to produce advertising designed to showcase the [REDACTED] area as a desirable golf vacation destination.

The [REDACTED] organization has set aside \$ [REDACTED] from their Consumer Advertising Budget to be dedicated to the promotion of golf vacations. This action was taken with the understanding that private industry would participate in the program.

You have hired a consultant to manage the start-up of the operation and coordinate the marketing details. Funding will be provided initially by [REDACTED], a 501(c)(6) organization. Matching funds will be provided by local hotels, motels, golf courses, and other travel related businesses (airlines, car rentals, etc.) that join your organization. These matching funds will provide you with the financial support needed to conduct your activities. Your members pay a membership fee, and in return you publish an advertisement booklet which features their business.

Section 501(c)(6) 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.

There are several characteristics that an organization must possess in order to meet the requirements of 501(c)(6). Those characteristics are:

(1) It must be an association of persons having some common business interest, and its purpose must be to promote this common business interest;

(2) It must not be organized for profit;

(3) No part of its net earnings may inure to the benefit of any private shareholder or individual;

(4) Its activities must 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;

(5) Its purpose must not be to engage in a regular business of a kind ordinarily carried on for profit, even if the business is operated on a cooperative basis or produces only sufficient income to be self-sustaining.

Rev. Rul. 65-14, 1965-1 C.B. 236, an organization formed to promote the tourist industry in its area and whose principal activity is the publication of a yearbook consisting largely of paid advertisements for its members is not entitled to exemption from Federal income tax as an organization described in section 501(c)(6) of the Code.

The case holds that the publication of advertising matter containing listings of the names of individual members constitutes advertising for the individuals so advertised and is thus considered the performance of particular services for such individuals, rather than an activity aimed at the improvement of general business conditions.

[REDACTED]

Inasmuch as your principal activity is the publication of similar advertising for the purpose of promoting tourism, we conclude that you do not qualify for exemption from Federal income tax under section 501(c)(6) of the Code.

The advertising brochures which you provide for your members constitute the performance of particular services for those businesses rather than an activity aimed at the improvement of general business conditions. Your activities consist of the promotion of golf vacations, and you claim that activity is specifically directed towards the betterment and commercial success of the [REDACTED] area.

The partnership you have with [REDACTED], and your association with the local businesses that depend heavily on tourism, demonstrates that there is an identifiable association of businesses in the [REDACTED] area that have a common business interest. The businesses that are involved with this organization are interrelated. This commonality is based on two factors, tourism and travel.

[REDACTED] and the other businesses (which are paid members) will contribute substantially to you, and all funds received by you from the participants will be used for the purpose of establishing and implementing a golf marketing campaign. You claim that this campaign will increase tourism in the [REDACTED] area. The primary focus of the campaign will be to promote golf vacations by showing that the [REDACTED] area is desirable location for this activity.

However, it is the method which you will use to advertise the [REDACTED] area as a desirable location which make your activity nonexempt under 501(c)(6) of the Code. You provide an extensive and well put together advertisement brochure. That brochure contains detailed information on hotels, motels, resorts and golf course. Providing this information is not the problem per se. The reason your activity is non exempt is because you only include information from paid members in the brochure.

The organization described in Rev. Rul. 65-14, supra, published a tourist guidebook similar to your brochure. The guidebook, as mentioned above, consisted mostly of advertisements paid for by its members which highlighted their particular business. The publication was designed to attract tourists to the various vacation spots in the area. Exemption was denied because the advertising in the guidebook only featured the businesses of the individual members who paid for the service, and this constitutes the performance of particular services rather than an activity aimed at the improvement of general business conditions.

[REDACTED]

Please note the fact that your brochure only has advertisements featuring your paid members, is what makes your activity nonexempt because it is the performance of particular services as in the Rev.Rul. cited above. The advertisements contained in the brochure is the principal method which you intend to use to attract vacationers to the area. Therefore, because this activity is the performance of particular services, which is considered nonexempt activity, you are precluded from exemption.

Accordingly, we conclude that you fail to qualify for exemption from federal tax under section 501(c)(6) of the Code. You are required to file federal income tax returns on Form 1120.

You have the right to protest this ruling if you believe that it is incorrect. To protest, you should submit a statement of your views, with a full explanation of your reasoning. This statement must be submitted within 30 days of the date of this letter and must be signed by one of your officers. You also have a right to a conference in this office after your statement is submitted. If you want a conference, you must request it when you file your protest statement. If you are to be represented by someone who is not one of your officers, he/she must file a proper power of attorney and otherwise qualify under our Conference and Practice Requirements.

If we do not hear from you within 30 days, this ruling will become final and copies will be forwarded to your key District Director. Thereafter, if you have any questions about your federal income tax status, including questions concerning reporting requirements, please contact your key District Director.

When submitting additional letters with respect to this case to the Internal Revenue Service, you will expedite their receipt by placing the following symbols on the envelope: E:EO:R:4-MH, Room 6236. These symbols do not refer to your case but rather to its location.

Sincerely,

[REDACTED]
[REDACTED]
Chief, Exempt Organizations
Rulings Branch 4

8/18/93
[REDACTED]
[REDACTED]
albert
cc: DD, Brooklyn
Attn: EO group w/ admin file

cc: [REDACTED]
[REDACTED]
[REDACTED]
1/14/93 192925