

Person to Contact: [REDACTED]  
Telephone Number: [REDACTED]  
Refer Reply to:  
Internal Revenue Service  
P.O. Box A-1790 093 22-1  
Attn: Chief, EO/LO Review Staff  
Chicago, Illinois 60695

Date: DEC 24 1967

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.

You were incorporated on [REDACTED] under the laws of the State of [REDACTED]. Your stated purpose is to promote the development, improvement, and expansion of black-owned [REDACTED] restaurants.

Your membership is restricted to individuals who own an interest in a minority business that holds a license to operate a [REDACTED] restaurant. Your primary activity consists of an annual convention where you discuss matters related to the improvement of the operation of individual franchises.

Section 501(c)(6) of the Internal Revenue Code provides for exemption of business leagues, not organized for profit and so 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 provides 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. The activities of the organization 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.

Revenue Ruling 58-134, 1958-1 C.B. 244, holds that an organization that is engaged in activities furthering the business interest of the dealers in a particular patented product does not qualify for exemption under Section 501(c)(6) of the Code.

In National Huffer Leaders Association v. U.S., 449 U.S., 472 (1979), the Court distinguished the term "line of business" to mean an entire industry in contrast to a single patented product or a single brand.

Although you are an association of persons having a common business interest, you are organized and engaged in the promotion of a particular franchised product. Your primary activity advances the business interest of individual members, rather than working toward the improvement of business conditions in the entire industry. The Revenue Ruling cited above concluded that furthering the business interest of particular franchised products is not improving business conditions of a line of business.

We have concluded that you do not qualify for exemption from Federal Income Tax as an organization described in Section 501(c)(3) of the Internal Revenue Code. Accordingly, you are required to file Federal income tax returns on Form 1120, especially 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 you have submitted your brief to the Chicago District Office and we have had an opportunity to consider the brief and it appears that the conclusions 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 491, Except Organization Procedures for several determinations, which explains in detail your rights and procedures.

[REDACTED]

If you agree with this determination, please sign and return the enclosed Form 5013.

Sincerely yours,

[REDACTED]

District Director

Enclosures:  
Publication 992  
Form 5013