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Date 4-14-92

Surname \_\_\_\_\_

MAR 02 1992

Employer Identification Number: \_\_\_\_\_  
Key District: Atlanta, GA

Dear Applicant:

We have considered your application for recognition of exemption from federal income tax as an organization described in section 501(c)(6) of the Internal Revenue Code.

The information submitted indicates that you were incorporated on \_\_\_\_\_, under the laws of the State of \_\_\_\_\_. Your Articles of Incorporation state that your general purpose is to provide for the dissemination of information about the operational concerns of your members. Your Articles state that all individuals who are owners at the various owner controlled time share condominiums represented by your Board of Directors shall automatically become your members, that such membership shall automatically terminate when such individual is no longer an owner of said time share condominiums, and that membership is limited to such time share condominium owners (i.e., individuals who own unit weeks within a turned over [no developer control] interval ownership resort association). Your Articles also state that you shall be managed and governed by a Board of Directors composed of not less than one member from each affiliated owner controlled time share condominium.

In your application for recognition of exemption you state that you were started to help owners of interval ownership resorts (time shares) cope with problems facing their newly evolved existence. Because of their unique status, many operating methods and legislation applicable to condominium associations do not adequately protect interval owners of time share resorts; you have attempted to identify common problems and offer solutions to them, including the effective promotion of new legislation. Currently, you also publish a newsletter to member resorts which offers pertinent legal and practical information.

[REDACTED]

In your brochure, you state that resorts that have turned over to associations of owners have little, if any, impact on changing legislation, and making sure that someone is monitoring and speaking for the "little guy," the owner, is one of your primary goals. By banding together, you state that you, the homeowner controlled resorts, can have a say in your state and local governments.

Section 501(c)(6) of the Code provides for the exemption from federal income tax of business leagues, chambers of commerce, real-estate boards, or boards of trade, 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 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. 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.

Rev. Rul. 59-391, 1959-2 C.B. 151, holds that an organization composed of individuals, firms, associations, and corporations (each representing a different trade, business, occupation, or profession), created for the purpose of exchanging information on business prospects and having no common business interest other than a mutual desire to increase the individual sales of members, is not exempt under section 501(c)(6) of the Code. The revenue ruling states that in this case, it is evident that the organization's activities are not directed to the improvement of business conditions of one or more lines of business, but rather to the promotion of the private interests of its members, which membership is limited by the organization's bylaws to one representative from each line of business. The revenue ruling concludes that while the regulations do not state that a business league must promote the betterment of general commercial welfare, they do require that the activities of the organization be directed to the improvement of business conditions of one or more lines of business.

Rev. Rul. 67-264, 1967-2 C.B. 196, holds that an association of nonprofit consumer cooperatives, which promotes the cooperative method of service, production, and distribution, membership in which is open to any organization organized and operated on a nonprofit cooperative basis, may qualify for exemption under section 501(c)(6) of the Code.

Rev. Rul. 70-641, 1970-2 C.B. 119, holds that a nonprofit organization of individuals from various professions in the field of public health and welfare, organized to develop greater efficiency in the professions and solve common problems, qualifies for exemption under section 501(c)(6) of the Code.

In American Kennel Club v. Hoey, 148 F.2d 920 (1945), the court held that an association of dog owners, most of whom were not in the business of raising and selling dogs, did not further a common business interest and thus was not exempt under section 501(c)(6) of the Code.

The term "business" is construed broadly for purposes of section 501(c)(6) of the Code and includes almost any enterprise or activity conducted for remuneration. Thus, the term is broad enough to encompass professions, as explained in Rev. Rul. 70-641, supra, as well as merchantile and trading businesses. It may also include the activities of organizations, such as consumer cooperatives, which engage in business on a cooperative basis, as explained in Rev. Rul. 67-264, supra. Where there is no "business" involved, however, as explained in American Kennel Club v. Hoey, supra, exemption under section 501(c)(6) is precluded.

A time share owner is typically a person who owns one week (or more) out of a year of a certain piece of property (in your case, a condominium), who is entitled to reside on or in the property during his or her week of ownership. Thus, a single unit in a condominium might have as many as 52 owners living in it, one at a time, during any particular year. Usually, the owner uses the property during his or her week as a vacation residence. The fact that your membership is limited to individuals of interval ownership resort associations indicates that this is the case in your situation. The various owners are not engaged in any particular line of business, and their only relationship with the other owners of the condominium or the resort community or your members is owning the condominium unit itself. Merely owning a home, even for only one week out of a year, for the usual purpose of a vacation is not considered to be a business purpose within the meaning of section 501(c)(6) of the Code. Therefore, you are more like the organization described in Rev. Rul. 59-391, supra, in that your activities are not directed to the improvement of business conditions of one or more lines of business, but rather are directed to the private interests of your members.

For this reason, we conclude that you do not qualify for recognition of exemption from federal income tax under section 501(c)(6) of the Code. You are required to file federal income tax returns.

[REDACTED]

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 protest 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 of it will be forwarded to your key District Director. Thereafter, any questions about your federal income tax status should be addressed to your key District Director.

When sending 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:1-3-CCH, Room 6236. These symbols do not refer to your case but rather to its location.

Sincerely yours,

(signed) [REDACTED]

[REDACTED]  
Chief, Exempt Organizations  
Rulings Branch 1

cc: DD, Atlanta  
Attn: EO Group