

[REDACTED]

[REDACTED]  
[REDACTED]  
[REDACTED]

DEC -7 1985

Employer Identification Number: [REDACTED]  
Form: 1120  
Tax Years: [REDACTED] and following

Dear Applicant:

This is a final adverse ruling as to your exempt status under section 501(c)(6) of the Internal Revenue Code.

This ruling is made for the following reason(s):

Your membership is open only to a segment of the realtor industry in your area rather than the industry as a whole. We conclude that the grounds for denial of tax exemption under section 501(c)(6) of the Code, as set forth in our letter dated [REDACTED], are still fully valid. Accordingly, we hereby affirm our denial of your application for recognition of exemption from federal income tax under section 501(c)(6).

You are required to file federal income tax returns on the form indicated above. Based upon the financial information you furnished, it appears that returns should be filed for the tax years indicated above. You should file these returns with your key District Director for exempt organization matters within 30 days from the date of this letter, unless a request for an extension of time is granted. Returns for later tax years should be filed with the appropriate service center as indicated in the instructions for those returns.

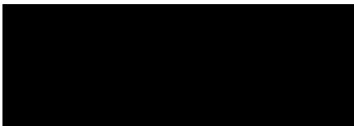
If you have any questions about this ruling, please contact the person whose name and telephone number are shown above.

Sincerely yours,

cc: [REDACTED]  
Attn: EO Group

(signed) [REDACTED]  
[REDACTED]  
Chief, Exempt Organizations  
Technical Branch 5

cc: [REDACTED]  
[REDACTED]



JAN 23 1995

Employer Identification Number: [REDACTED]  
Key District: Baltimore, MD

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. We have determined that you do not 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], under the laws of the State of [REDACTED] "to promote excellence in the real estate industry and in the [REDACTED] area; to bring together, provide a forum for and recognize the successful and proven Realtors in the area; to promote high ethical standards and practices within the real estate industry; to promote, support and provide for raising the standards of the quality of life in the area."

Your bylaws provide that the realtors who are members of the [REDACTED] are eligible for your membership, and that to qualify for membership in [REDACTED], realtors must have settled at least [REDACTED] dollars in volume during the seven years prior to application for membership, or must have settled a volume of [REDACTED] dollars a year in any three of the past seven years. Your bylaws, as amended, provide that to qualify for membership after [REDACTED], realtors must have settled at least [REDACTED] million dollars in volume during the seven years prior to application for membership or must have settled volume of [REDACTED] dollars a year in any three of the past seven years.

In your letter dated [REDACTED], you state that with long-term, active participation in the real estate industry, individuals meeting your membership criteria will have developed knowledge and expertise which set them apart from the significant number of part-time or otherwise nominal real estate agents, as well as from those who may be working full time but are satisfied to settle only enough homes in a given year as to provide a

minimal amount of income. You state that your members' dedication and reputation effectively makes them leaders in the [REDACTED] real estate industry, and that they are naturally expected to set the standards for all industry participants. You also state that you make your existence and membership criteria available to all [REDACTED] real estate agents; you do not attempt to identify potential members, but rather leave it up to individual agents who feel that they qualify and want to join to submit their applications.

In your application, you state that you hold regular member meetings for the purpose of providing an open forum for the expression of ideas, thoughts, and concerns regarding real estate activities in [REDACTED]. You also state that it is one of your express goals to provide services to benefit the community at large, and to this end you have established a housing fund to benefit low and/or moderate income housing in [REDACTED]. The housing fund is used as a means of providing second mortgage loans and is funded primarily by an annual auction of donated articles and services. You have indicated that your members will forego charging loan recipients sales commissions with respect to properties purchased under this program.

You state that your plans call for the establishment of classes and seminars designed to deal specifically with ethics in real estate, and that you also intend to provide public forums to allow local residents to express their views, questions, concerns, and opinions regarding the real estate activity and marketing in [REDACTED]. You hope through these forums to learn how residents of [REDACTED] perceive your industry, what strengths and weaknesses exist, and how better to meet their needs.

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. 56-65, 1956-1 C.B. 199, holds that a local organization whose principal activity consists of furnishing particular information and specialized individual services to its individual members engaged in a particular industry, through publications and other means to effect economies in the operation of their individual businesses, is performing particular services for individual persons. Such organization, therefore, is not entitled to exemption under section 501(c)(6) of the Code as a business league even though it performs functions which are of benefit to the particular industry and the public generally.

Rev. Rul. 72-211, 1972-1 C.B. 150, clarifies Rev. Rul. 56-65, supra, and holds that an organization formed to promote the interests of its members and persons or firms related to the building and construction industry by providing a plan room and news bulletin available to the entire industry qualifies for exemption under section 501(c)(6) of the Code. The revenue ruling stresses that one of the main reasons for exemption is the fact that the organization's facilities are open for use by all individuals and businesses in the industry, nonmembers as well as members.

Rev. Rul. 73-411, 1973-2 C.B. 180, in discussing the exempt status of a shopping center merchants' association under section 501(c)(6) of the Code, describes in detail the history of section 501(c)(6) and the types of organizations described therein. In the case of a chamber of commerce or similar organization, the required common business interest is usually the general economic welfare of a community, and it has been accepted that an organization seeking exemption under section 501(c)(6) as a chamber of commerce must be one whose efforts are directed at promoting the common economic interests of all the commercial enterprises in a given trade community. Trade associations or business leagues under section 501(c)(6) are similar to chambers of commerce, except that they serve only the common business interests of the members of a single line of business or of the members of closely related lines of business within a single industry.

In National Muffler Dealers Association, Inc. v. U.S., 440 U.S. 472 (1979), the Supreme Court held that an organization that promotes a single brand of muffler is not exempt under section 501(c)(6) of the Code because it does not promote a line of business as required in the regulations. In this case, the organization initially confined its membership to dealers franchised by Midas International Corporation (Midas) and its purpose was to establish a group to negotiate unitedly with Midas management. Despite the fact that the organization later amended its bylaws to eliminate its membership restriction, it neither

[REDACTED]

recruited nor acquired a member who was not a Midas franchisee. The Court stated that "an organization with a primary objective other than to benefit an entire industry and with a purpose to promote and give a competitive advantage to one product or one segment of a business cannot satisfy the line of business test." The Court further concluded that exemption under section 501(c)(6) is not available to aid one group in competition with another within an industry. The Court noted that exemption has been consistently denied by the Service to business groups whose membership and purposes are narrower than those that meet the "line of business" test in that they fail to benefit either an entire industry or all components of an industry within a geographic area. Examples of those denied exemption for failure to meet the "line of business" test include those that bottle a single brand of soft drink, market a single brand of automobile, or have licenses to a single patented product.

The information you have submitted shows that your membership is limited to persons engaged as realtors in the real estate industry in [REDACTED] who have attained a certain high level of sales within a given period of time as indicated by settlement amounts. Since your membership is not open generally to all businesses and professional men and women in your community, you are not a chamber of commerce, as explained in Rev. Rul. 73-411, supra. Since you are structured along particular industry or business lines, your right to exemption under section 501(c)(6) of the Code, if any, must rest on your characterization as a trade association or business league. The information submitted with your application indicates that your primary activity is the presentation of an open forum for your members for the expression of ideas, thoughts, and concerns regarding real estate activities in your area. Such a forum will enable your members to maintain a competitive advantage over nonmembers. By providing the forums only for your members, you are promoting their common business interest, but such activity is being performed at the expense of every other individual engaged as a realtor in the real estate industry in [REDACTED] who is not one of your members, a number of realtors that you state is significant.

Therefore, you are providing benefits only to an artificially limited group of individuals who are individually in competition with each other and, more importantly, in competition with other individuals within the same industry who are not receiving the direct benefits of your forums. As concluded by the Supreme Court in National Muffler Dealers Association, supra, exemption under section 501(c)(6) of the Code is not available for such organizations. The fact that your members' dedication and reputation may set them apart from other realtors in your

[REDACTED]

area is not relevant in the classification as to whether your members could be designated as a separate industry within the real estate industry. As also discussed in Rev. Ruls. 56-65 and 72-211, supra, exemption under section 501(c)(6) relies on the presentation of information to an entire line of business rather than just to a select few within, or a segment of, that line of business.

For these reasons, 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.

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: [REDACTED]. These symbols do not refer to your case but rather to its location.

Sincerely yours,  
(signed) [REDACTED]

[REDACTED]  
Chief, Exempt Organizations  
Technical Branch 4

cc: [REDACTED]  
Attn: EO Group

[REDACTED]

1-12-95

[REDACTED]

1-20-95