

[REDACTED]  
[REDACTED]  
[REDACTED]  
OCT 13 1993

CERTIFIED MAIL

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 and have determined that you do not qualify for tax exemption under that section. Our reasons for this conclusion and the facts on which it is based are explained below.

Your were incorporated on [REDACTED] exclusively for the purpose of aiding the progress of the profession of zinc and aluminum coaters; and, without limiting the generality of the foregoing, to advance the theory and practice of zinc and aluminum coating, to enhance the status of the coater; to develop standards, codes, recommended practices for zinc and aluminum coating; to endeavor to maintain high standards of ethical practice by members of the Corporation; to foster the study of zinc and aluminum coating; to cooperate with other such technical societies and to advance public relations with governmental agencies and the public in general.

Your activities include an international meeting held every two years and periodic regional meetings to discuss specialized steel alloy coating problems and solutions in order to advance the quality and increase consumer acceptance of 55% Aluminum-Zinc Alloy Coated Sheet Steel. [REDACTED] originally organized similar international and regional meetings for the producers of 55% Aluminum-Zinc Alloy Coated Sheet Steel. Once the Association was formed, the responsibility for such functions was assumed by your organization.

Your income is derived from membership dues. Your expenses are for meetings, advertising/marketing, personnel costs, consultants, travel, graphic design and photographic, photo copying, mailing and shipping, supplies and miscellaneous.

Code	Initiator	Reviewer	Reviewer	Reviewer	Reviewer	Reviewer	Reviewer
Surname	[REDACTED]	[REDACTED]	[REDACTED]				
Date	10-4-93	10/5/93	10/13/93				

Memberships in your organization shall initially be a single class designated as active. Currently, all of your members are considered active

Active members shall have the following qualifications:

- a) Any business entity which currently has the right to manufacture and sell 55% Al-Zn Sheet products under and pursuant to a Patent and/or Technology License Agreement with [REDACTED]
- b) Any company which in the future undertakes a Patent and/or Technology License for 55% Al-Zn Sheet products from [REDACTED];
- c) Any company which in the future lawfully gains access to and utilizes the technical know-how to produce 55% Al-Zn Sheet products which conform to the quality standards adopted by the association for such products; and
- d) [REDACTED].

Currently [REDACTED] corporations have been licensed to produce 55% Aluminum-Zinc alloy coated steel. Of these, [REDACTED] of the licensee corporations and [REDACTED], (the licensor of this technology) are members of your organization. There are no specific efforts put forth by your organization to attract new members nor are there any promotional materials.

Section 501(c)(6) of the Internal Revenue Code 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. 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.

Revenue Ruling 58-294, published in Cumulative Bulletin 1958-1, on page 244, held that an organization formed to promote the business interests of those involved in the manufacture and sale of a particular patented product, whose membership is limited to those engaged in the manufacture and sale of the product, and which owns the controlling interests in the corporation which holds the basic patents in the product, does not qualify for exemption as a business league under Internal Revenue Code section 501(c)(6), since it is engaged in furthering the business interests of the dealers of a particular product as distinguished from improving business conditions generally.

[REDACTED]

Revenue Ruling 68-182 published in Cumulative Bulletin 1968-1, on page 263, states that it is the position of the Internal Revenue Service that organizations promoting a single brand or product within a line of business do not qualify for exemption from Federal income tax under section 501(c)(6) of the Code.

Revenue Ruling 83-164, found in Cumulative Bulletin 1983-2, on page 95, held that an organization which directed its activities to users of computers made by one manufacturer was not directing its activities towards the improvement of business conditions in one or more lines of business within the meaning of section 1.501(c)(6)-1 of the Income Tax Regulations.

From the information you have submitted, and the applicable Revenue Rulings cited in this letter, your organization is similar to the organization described in Revenue Ruling 58-294; in that your organization is engaged in assisting your members in their manufacturing of 55% Aluminum-Zinc Alloy Coated Sheet Steel; a process that is protected by a patent owned by [REDACTED], which is licensed to each of your members. You are not engaged in the improvement of business conditions for an entire industry, but are engaged in the promotion of a particular patented process; the manufacture of 55% Aluminium-Zinc Alloy Coated Sheet Steel.

Therefore, 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 Code. In accordance with this determination, you are required to file Federal income tax returns on Form 1120.

If you do not agree with our determination, you may request consideration of this matter by the Office of Regional Director of Appeals. To do this you should file a written appeal as explained in the enclosed Publication 892. Your appeal should give the facts, law, and any other information to support your position. If you want a hearing, please request it when you file your appeal and you will be contacted to arrange a date. The hearing may be held at the regional office, or, if you request, at any mutually convenient district office, if you will be represented by someone who is not one of your principal officers, that person will need to file a power of attorney or tax authorization with us.

If you don't appeal this determination within 30 days from the date of this letter, as explained in Publication 892, this letter will become our final determination on this matter.

[REDACTED]

Appeals submitted which do not contain all the documentation required by  
Publication 892 will be returned for completion.

If you have any questions, please contact the person whose name and telephone  
phone number are shown in the heading of this letter.

Sincerely,

[REDACTED]  
District Director

Enclosure: Publication 892