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FEB 11 1981

[REDACTED]

Dear Applicant:

Your application for exemption from Federal Income tax as an organization described in Section 501(c)(6) of the Internal Revenue Code has been considered.

The information submitted discloses that you were incorporated as a non-profit organization on [REDACTED] under the statutes of the State of [REDACTED]. Your purposes, as stated in the Articles of Incorporation, are to promote and advertise the [REDACTED] and to provide a forum for the businessmen at the center to join in civic events and foster good relations between the shopping center and the community.

Your organization is a membership association composed of all the business tenants and the owner of [REDACTED]. Membership is mandatory and no business concerns or firms, or individuals, other than tenants of the mall, are permitted voting membership.

The Board of Directors of your organization consists of two permanent members designated by the landlord (owner) and not less than five, nor more than seven, directors elected by voting members every three years. A budget is submitted each year by the landlord to the members of the Board of Directors for approval. After the budget is approved by the landlord and the member-tenants, the landlord contributes [REDACTED] cents for each dollar contributed by the business members. Each member-tenant pays annual dues in accordance with the member's lease with the landlord.

Also, at such time as the landlord shall request, each member shall also pay to the association, as an initial assessment and, in addition to the sums such member shall be obligated to pay pursuant to the budget for the association, an amount equal to, but not in excess of, [REDACTED] cents per square foot of gross floor area of such member's store in [REDACTED]. The landlord shall contribute [REDACTED] percent of the total member's contribution to the initial assessment to the association. All sums contributed by the members and the landlord as such initial assessment were used for the purpose of defraying the promotional expenses incurred by the association in connection with the preopening and grand opening of the [REDACTED].

The activities of your organization are devoted almost exclusively to various promotions and advertising of the shopping center, in an effort to advance the welfare of the center and its businesses. You have purchased a large sign to advertise the shopping center as part of your efforts to draw business.

Section 501(c)(6) of the code provides for exemption from Federal income tax for business leagues, chambers of commerce, real estate boards, boards of trade, or professional football leagues 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) of the Income Tax Regulations defines a business league as an association of persons having some common business interest, the purpose of which is to promote such interest and not to engage in a regular business of a type carried on for profit. It is an organization of the same general class as a chamber of commerce or board of trade, and its activities should be directed to the improvement of business conditions in one or more lines of business as distinguished from the performance of particular services for individual persons.

Since your organization is not structured along particular industry or business lines, but is composed of various types of business concerns and commercial endeavors, its right to exemption must rest on its characterization as a chamber of commerce or similar organization. In the case of a chamber of commerce or similar organization, the common business interest is the general economic welfare of a community. Membership is voluntary and open to all business and professional men and women in the community.

Revenue Ruling 73-411 denied exemption under Section 501(c)(6) of the Internal Revenue Code to a shopping center merchants' association whose membership is restricted to and required of the tenants of a shopping center which is their common lessor, and whose activities are directed to promoting the general business interests of its members.

Revenue Ruling 78-225 granted exemption under Section 501(c)(6) to an organization that is operated to promote the common business interests of its members, a majority of whose businesses are located in one particular shopping center, has a voluntary membership open to all businesses in a neighborhood community, and is not concerned with landlord-tenant matters.

Your organization does not represent the general economic welfare of a whole community or area, but is solely interested in the commercial welfare of the [redacted]. The limitation of membership to the tenants of the shopping center is indicative of your interests in solely promoting the center.

It has been accepted that an organization seeking exemption under Section 501(c)(6) of the Internal Revenue Code 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. RETAILERS CREDIT ASSOCIATION OF ALAMEDA COUNTY V. COMMISSIONER OF INTERNAL REVENUE, 90 F.2d 47 (9th CIR. 1937); NORTHWESTERN MUNICIPAL ASSOCIATION V. UNITED STATES, 22 F. SUPP. 18 (D. MINN. 1938) AFF'D., 99 F.2d 460 (8th CIR. 1938).

Based upon the information submitted, it is our opinion that you are not exempt from Federal income tax under Section 501(c)(6) of the Internal Revenue Code. Your request for exempt status is denied and you are required to file Federal income tax returns on Form 1120 each year.

If you do not agree with these conclusions, you may request Appeals Office consideration. To do this, you must submit to the District Director within 30 days from the date of this letter, a statement of facts, law, and arguments, in duplicate, which will clearly set forth your position. You also must state whether you wish an Appeals Office conference. 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.

If we do not hear from you within the time specified, this communication will become our determination in the matter.

Very truly yours,


District Director

Enclosure:
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