

[Redacted]

Person to Contact: [Redacted]  
Telephone Number: [Redacted]  
Refer Reply to: [Redacted]

Date: NOV 20 1986

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Approved R.*

**CERTIFIED**

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 nonprofit corporation laws of the State of [Redacted] for the purpose of operating exclusively as a business league within the meaning of Section 501(c)(6) of the Internal Revenue Code of 1954, as amended.

One of your specific purposes include: Promoting among the [Redacted] dealers in the State of [Redacted], high ethical and operating standards with the view of developing and maintaining the public goodwill; promoting a spirit of fair dealing and cooperation among the automobile dealers in the State of [Redacted]; supporting truthful, ethical, factual and cooperative advertising as a matter of public information; and improving the merchandising methods of [Redacted] dealers.

Membership in your organization is open to any individual, partnership or corporation of good character and engaged in business as a duly organized automobile dealer in the State of [Redacted].

According to your by-laws dues and assessments will be paid, at such times, and in the manner specified by the majority of the whole membership at a duly constituted meeting.

A written membership agreement which was included with your application for exemption indicated that each member of your organization pays a specified fee for each automobile so [Redacted], which is then forwarded this amount to your organization.

Code	Initiator	Reviewer	Reviewer	Reviewer	Reviewer	Reviewer	Reviewer
Surname							
Date							

Examination of your financial data for the year ending [REDACTED] reveals that of your total expenses [REDACTED] were for advertising costs.

Section 501(c)(6) of the Internal Revenue Code provides for exemption of "business leagues, chambers of commerce, real estate boards, boards of trade, or professional football leagues (whether or not administering a pension fund for football players), 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 Income Tax Regulations reads as follows:

**BUSINESS LEAGUES, CHAMBERS OF COMMERCE, REAL ESTATE BOARDS AND BOARDS OF TRADE.** 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. An organization whose purpose is to engage in a regular business of a kind ordinarily carried on for profit, even though the business is conducted on a cooperative basis or produces only sufficient income to be self-sustaining, is not a business league. An association engaged in furnishing information to prospective investors, to enable them to make sound investments, is not a business league, since its activities do not further any common business interest, even though all of its income is devoted to the purpose stated. A stock or commodity exchange is not a business league, a chamber of commerce, or a board of trade within the meaning of section 501(c)(6) and is not exempt from tax. Organizations otherwise exempt from tax under this section are taxable upon their unrelated business taxable income. See sections 511 to 515, Regulations and the regulations thereunder".

The Regulations provide that organizations exempted by section 501(c)(6) of the 1954 Code are those whose activities are directed to the improvement of business conditions of one or more lines of business as distinguished from the performance of particular services for individuals.

However, an organization which directs a substantial portion of its overall activities to the issuance of advertising material containing listings of the names of individuals may be precluded thereby from qualification for exemption under Section 501(c)(6) of the Code.

National Dealer Dealers Association v. U.S., 440 U.S. 472 (1979) states, in part, that an association of a particular brand name of dealer dealers does not qualify for exemption because the association is not engaged in the improvement of business conditions of a line of business.

Revenue Ruling 67-77, 1967-1 C.B. 138 states, in part, an organization composed of dealers in a certain make of automobile in a designated area is organized and operated primarily for the purpose of financing general advertising campaigns to promote, with funds contributed by dealer members, the sale of that make of automobile, does not qualify for exemption because the organization is performing particular services for its members.

Your organization does not qualify for exempt status because you are performing particular services for members in the form of cooperative advertising. In addition, since your membership and services are restricted to [redacted] dealers, you are not promoting the common business interests of one or more lines of business; the entire automotive sales industry.

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 Internal Revenue Code. Accordingly, you are required to file Federal income tax returns on Form 1120, annually 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 Regulations regarding the filing of a power of attorney and the requirements to practice must be met. We have enclosed a copy of the Internal Revenue Manual Organization Procedures for Adverse Action, which explains in detail your rights and



[REDACTED]

If you agree with this determination, please sign and return the enclosed Form 6018.

Sincerely,

[REDACTED]

District Director

Enclosures:  
Publication 802  
Form 6018