

[REDACTED]

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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.

The information submitted indicates that you were incorporated on [REDACTED] for the purpose of financing the upgrading of the railroad track between its members to facilitate the members grain marketing by providing adequate rail service for shipment of grain and other industrial products.

Your activities will consist of obtaining a [REDACTED] loan from [REDACTED] and culminating from a three-way contract involving the State of [REDACTED], by and through the Department of Transportation, the [REDACTED], and your organization, upgrade old abandoned rail lines. Specifically, your organization will borrow the funds from the bank, loan that amount to the railroad who will in turn use the funds to upgrade the railroad tracks. The railroad will repay the loan plus interest back to your organization so that you can repay the bank.

Membership in the organization is composed of "any person who ships or receives goods by rail via the lines of the [REDACTED] ("Railroad or CRR") at or between [REDACTED] and [REDACTED], [REDACTED] and [REDACTED], and [REDACTED] and [REDACTED] and [REDACTED], and [REDACTED]..."

Section 501(c)(6) of the Internal Revenue Code provides for exemption of "boards of directors, 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 inure to the benefit of any private shareholder or individual."

Code	Initiator	Preparer	Reviewer	Reviewer	Reviewer	Reviewer	Reviewer
	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Signature	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Date	8/30/85	9/16/85	10/11/85	10/11/85	10/15/85		

Section 1.501(c)-1 of Income Tax Regulations reads as follows:

BUSINESS LEAGUES, CHAMBERS OF COMMERCE, REAL ESTATE BOARD AND BOARD 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 some investments, is not a business league, since its activities do not further any other 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, inclusive and the regulations thereunder.

In view of the above described operation your activities are since as the performance of particular services for your individual members as distinguished from the improvement of business conditions generally, as required by Section 1.501(c)(6) of the Income Tax Regulations.

The improvement of business conditions as contemplated by the statute encompasses activities such as the publishing of statistics for analysis by members or attempting to influence legislation germane to your common business interests. While these two examples are not intended to be all inclusive or limit your activities, they are designed to demonstrate the types of acceptable business league activities. Your activities facilitate greater contact for your members by virtue of the fact that upgrading the railway lines between members will have a direct economic impact on reducing the costs of providing your product to the general public or your consumers. This activity is considered a service to members and is not acceptable for an exempt business league.

Accordingly, we conclude 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. As a result, you are required to file Federal income tax returns on Form 990, annually, with your District Director.

If you do not agree with these conclusions, you may within thirty 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 opportunity to be heard on the issues, you should so indicate in your submission.

[REDACTED]

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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 reached 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 requirements regarding the filing of a power of attorney and evidence of enrollment to practice must be met. We have enclosed Publication 892, Exempt Organization Appeal Procedures for Adverse Determinations, which explains in detail your rights and procedures.

If you agree with this determination, please sign and return the enclosed Form 101.

Sincerely,

[REDACTED]
District Director

Enclosures: Publication 892
Form 101B