

Form 6018 rec'd 12/16/93

Internal Revenue Service
District Director

Department of the Treasury
P.O. Box 2508
Cincinnati, OH 45201



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

Refer Reply to : EP/EO

Date: **DEC 02 1993**

Dear Sir or Madam:

We have considered your application for recognition of exemption from Federal income tax under the provisions of section 501(c)(6) of the Internal Revenue Code of 1986 and its applicable Income Tax Regulations.

Consideration was given to whether you qualify for exemption under other subsections of section 501(c) of the Code and we have concluded that you do not.

As your organization has not established exemption from Federal income tax, it will be necessary for you to file an annual income tax return on Form 1041 if you are a trust or Form 1120 if you are a corporation or an unincorporated association.

If you are in agreement with our proposed denial, please sign and return one copy of the enclosed Form 6018, Consent to Proposed Adverse Action.

You have the right to protest this proposed determination if you believe that it is incorrect. To protest, you should submit a written appeal giving the facts, law and other information to support your position as explained in the enclosed Publication 892, "Exempt Organizations Appeal Procedures for Unagreed Issues". The appeal must be submitted within 30 days from the date of this letter and must be signed by one of our principal officers. You may request a hearing with a member of the office of the Regional Director of Appeals when you file your appeal. If a hearing is requested, you will be contacted to arrange a date for it. The hearing may be held at the Regional Office, or, if you request, at any mutually convenient District Office. If you are to be represented by someone who is not one of your principal officers, he or she must file a proper power of attorney and other wise qualify under our Conference and Practice Requirements as set forth in Section 601.502 of the Statement of Procedural Rules. See Treasury Department Circular No. 230.

[REDACTED]

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

Sincerely yours,

[REDACTED]
District Director

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Enclosure I

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[REDACTED]

The organization was incorporated as a not for profit organization in the State of [REDACTED] on [REDACTED]. It has applied to the Internal Revenue Service, requesting exemption under section 501(c)(6) of the Internal Revenue Code.

The corporation was organized to transact any or all lawful business for which corporations can be incorporated under the [REDACTED] Non-Profit Corporation Act, and to exercise any and all powers that non-profit corporations may now or hereafter exercise under the [REDACTED] Non-Profit Corporation Act.

Membership in the organization is open to each duly franchised [REDACTED] dealer within the geographical area encompassed by the [REDACTED] area of dominant influence as defined by [REDACTED]. Each member acknowledges and reaffirms his obligation to participate in the advertising budget as set forth in the Bylaws of the organization.

The sole activity of the organization is to collect membership dues which are placed into a pool to be used to purchase advertising on local television, or other forms of mass media. The advertising is intended to benefit individual [REDACTED] dealers.

The organization lists revenues for the period of [REDACTED], through [REDACTED], of \$ [REDACTED] in membership fees. The organization lists \$ [REDACTED] for the same period in investment income. The organization projects annual income for calendar years [REDACTED] and [REDACTED] of \$ [REDACTED] in membership fees. It does not project any investment income for these periods.

The organization shows expenses of \$ [REDACTED] for the period of [REDACTED], through [REDACTED]. These expenses are attributable to activities which are related to the organization's exempt function, which is advertising. The organization also shows other expenses of \$ [REDACTED] for the same period. The organization projects expenses attributable to activities related to the organization's exempt function-advertising for members-for calendar years [REDACTED] and [REDACTED] of \$ [REDACTED], and \$ [REDACTED], respectively. It also estimates other expenses of \$ [REDACTED] for calendar years [REDACTED] and [REDACTED].

Section 501(c)(6) of the Internal Revenue Code allows for exemption from Federal income tax organizations similar to business leagues, chambers of commerce, real estate boards, boards of trade, or professional football leagues (whether or not administering a pension plan for professional 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.

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Section 1.501(c)(6)-1 of the Income Tax Regulations states, in part: "A business league is an association of persons having some common business interest, the purpose of which is to promote such common interest.... 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. 64-314, 1964-2 C.B. 147, states that a group of merchants whose businesses comprise a shopping center, and whose activities consist exclusively of advertising to attract customers to the shopping center, will not qualify for exemption under section 501(c)(6) of the Internal Revenue Code.

Rev. Rul. 67-77, 1967-1 C.B. 138, states that an organization composed of dealers of a particular make of automobile in a particular area, who are 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, will not qualify for exemption under section 501(c)(6) of the Internal Revenue Code. The organization did not qualify for exemption due to the fact that it provided a particular service to its members.

Rev. Rul. 70-80, 1970-1 C.B. 130, states that a group of manufacturers in a particular line of business, who have established minimum quality standards for members products, and then markets the products under the organization's trademark, and whose principal activity is the promotion of the trademarked products through various advertising media, will not qualify for exemption under section 501(c)(6) of the Internal Revenue Code based on the fact that the organization provides members with a particular service.

Based on the above facts and upon the applicable law and precedent, the [REDACTED] fails to qualify for exemption under section 501(c)(6) because it is organized and operated exclusively to provide particular services to its members through the purchase of paid advertising.