

[REDACTED]

Dear Applicant:

Consideration has been given to your application for exemption from Federal income tax under Section 501(c)(6) of the Internal Revenue Code.

Information submitted discloses that your organization was incorporated as a nonprofit corporation on [REDACTED] under the statutes of the State of [REDACTED]. Your purposes, as stated in your Articles of Incorporation, are to jointly fund various advertising projects to benefit the members, including the production of brochures, the rental of other advertising media, such as billboards, radio and television advertising, or any other types of advertising as may be required; the funding of joint memberships in other associations or organizations which may prove beneficial to all; the promotion of the camping industry; and the development of friendly relations with other [REDACTED] campgrounds located in [REDACTED].

The regular membership of your organization is confined to [REDACTED] franchisees in [REDACTED]. Sustaining membership, consisting of any other business firms who wish to join, is permissible, but no voting privilege is allowed such membership.

The activities of your organization, as indicated in your application, consist of billboard advertising for the [REDACTED] franchisees; cooperative advertising in trade and travel publications; cooperative advertising by printing brochures listing all the [REDACTED] and the placing of such brochures in rest areas and tourist attractions in [REDACTED]; and legislative activity.

Section 513(c)(6) of the Internal Revenue Code provides for the exemption from Federal income tax of business leagues, chambers of commerce, and boards or trade not organized for profit and no part of the net earnings of which inures to the benefit of any private shareholder.

[REDACTED]

Section 1.501(c)(6)-1 of the Income Tax Regulations provides, in part, 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. 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.

In the case of National Muffler Dealers Association, Inc. v. U.S., 440 U.S. 472 (1979) it was held that a trade association acting to improve business conditions for a single brand or product within a line of business does not qualify for exemption from Federal income tax under Section 501(c)(6) of the code. Your organization is similar, in that it endeavors solely to serve the interests of Knapgrounds of America, Inc. franchisees in the State of South Dakota. To the extent that your organization is successful in improving conditions for its members, it does so partially at the expense of campground owners which are not franchisees of Knapgrounds of America, Inc. Tax exemption is not available to aid one group in competition with another group within an industry.

In addition, the dissemination to the public of any advertising containing the names and addresses of [redacted] franchisees in [redacted] also indicates performance of particular services for individual persons or organizations.

It is held that you are not entitled to exemption from Federal income tax under the provisions of Section 501(c)(6) or any other section of the Internal Revenue Code, and your request for exempt status is denied. You should file an annual income tax return on Form 1120.

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. The 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 you do not hear from you within the time specified, this communication will become a letter ruling in the matter.

Very truly yours,

[redacted]
District Director

Enclosure:
Publication 99.