

Internal Revenue Service

Department of the Treasury

District
Director

P.O. Box 391, Los Angeles, Calif. 90053

Person to Contact:

Telephone Number:

Refer Reply to:

Date: NOV 5 1987

Dear Sir or Madam:

We have considered your application for exemption from Federal income tax as an organization described in section 501(c)(6) of the Internal Revenue Code of 1986.

The information submitted discloses that you were incorporated under the nonprofit corporation laws of the State of [REDACTED] on [REDACTED].

The purpose of your corporation is the nonpolitical promotion of [REDACTED] area wines and wineries through educational courses, publications, donations to other persons or entities who promote the [REDACTED] area wines and wineries within the spirit and purposes of [REDACTED], and all other activities deemed necessary to achieve the purposes of the association.

You enhance public awareness of [REDACTED] wineries located in the counties of [REDACTED] and [REDACTED] by creating and implementing promotional and marketing events that will bring added attention to the [REDACTED] area wine industry and its tourism potential.

To attract visitors to the area, you engage in outside advertising and editorial support. You will create and distribute a range of promotional material welcoming consumers to the "[REDACTED]," utilize advertising and public relations to reach and influence potential customers, and coordinate programs of complementary promotion for the many individual businesses and organizations that utilize the wineries' products.

You have a [REDACTED] wine tour brochure that is distributed to visitors and conventioners by visitor and convention bureau centers, chambers of commerce and AAA offices; at consumer trade shows and wine events; at the member wineries; and in response to inquiries.

Through communication, your member wineries will share knowledge of product mix and how to improve services. You will produce regular press releases and hold press conferences to communicate your association's activities and programs. You will generate public service announcements on the benefits of the industry.

[REDACTED]

You have two classes of members: Active and Associate. Active members are any persons or entities engaged in or under a business plan to open a winery within [REDACTED] or [REDACTED] Counties. Associate members are persons, organizations or other entities offering goods or services generally available to the wine industry in the State of [REDACTED].

Your income is derived from membership dues and assessments, and investment income. Your expenditures are comprised primarily of advertising, printing, postage, and miscellaneous administrative expenses.

You originally applied for tax exemption under section 501(c)(3) of the Internal Revenue Code. However, you were informed that you were not organized nor operated exclusively for any of the purposes described in that section. We stated that you may qualify for exemption under section 501(c)(6) as a business league. Upon receipt of your application, Form 1024, a determination was also made under this section. You were informed that you failed to qualify for exemption because your advertising constituted the performance of particular services for members. You did not consent to our determination.

Section 1.501(c)(6)-1 of Income Tax Regulation states, in part, as follows:

"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."

The applicable Income Tax Regulations provide that organizations contemplated by section 501(c)(6) of the 1986 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. Therefore, 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.

It is the position of the Service that publication or advertising that carries the names of its members and their merchandise constitutes the performance of particular services for members rather than an activity directed to the improvement of business conditions. See Revenue Ruling 64-315, Cumulative Bulletin 1964-2, p. 147.

Because your advertisements are conducted in the same manner described above, you are also performing particular services for your members.

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 Code. Accordingly, you are required to file income tax returns on Form 1120, annually, with your District Director.

If you are in agreement with this proposed determination, we request that you sign and return the enclosed agreement, Form 6018. Please note the instructions for signing on the reverse side of this form.

If you are not in agreement with this proposed determination, we recommend that you request a hearing with our office of Regional Director of Appeals. Your request for a hearing should include a written appeal giving the facts, law, and any other information to support your position, as explained in the enclosed Publication 892. You will then be contacted to arrange a date for a hearing. The hearing may be held at the office of Regional Director of Appeals or, if you request, at a mutually convenient district office. A self-addressed envelope is enclosed.

Sincerely yours,

District Director

Enclosures:
Publication 892
Form 6018