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DEPARTMENT OF THE TREASURY  
INTERNAL REVENUE SERVICE  
WASHINGTON, D.C. 20224

COMMISSIONER  
TAX EXEMPT AND  
GOVERNMENT ENTITIES  
DIVISION

Date:

Employer Identification Number:

Form number:  
990

Refer reply to:

Person to contact:

Employee Badge Number:

Contact Telephone Number:

Tax Period Ending:

Dear Sir or Madam:

In a determination letter dated \_\_\_\_\_ you were held to be exempt from Federal income tax under section 501(c)(6) of the Internal Revenue Code.

During the audit of your Form 990 for the period shown above, it was disclosed that your organization is not operating in accordance with the provisions of section 501(c)(6) of the Code. The attached examination report will explain in detail the facts, law and conclusions of this revocation letter.

Accordingly, your exemption from Federal income tax is revoked effective, \_\_\_\_\_ You have filed Forms 1120 for the years ending in \_\_\_\_\_, and \_\_\_\_\_ the examining agent. Please be sure to file Forms 1120 for all future years.

This is a final adverse determination of your exempt status under section 501(c)(6) of the Code.

If you have any questions, please contact the person whose name and telephone number are shown in the heading of this letter.

Sincerely,



R. Slaughter  
Director, EO Examinations

Enclosure:  
Examination Report

Form 886-A (Rev. Jan. 1994)	EXPLANATION OF ITEMS	Schedule No. or Exhibit Form 990
Name of Taxpayer	TIN	Year/ Period Ended

**Issue:**

Whether the operation of a Multiple Listing Service for members is grounds for revocation?

**Facts:**

The organization provides and operates a Multiple Listing Service (MLS) for its members. The members whose primary business is the sale of residential and business property pay a mandatory fee for the use of the MLS. The MLS is a means by which the participating real estate dealers share listings which each has obtained for the sale of realty. The organization requires anyone seeking membership to join the MLS and pay the applicable dues. A member can lose its membership privileges if he or she fails to pay the required MLS dues.

The organization derives \_\_\_\_\_ of its income from the MLS and \_\_\_\_\_ of its expenditures are attributable to the operation of the MLS. Because the majority of the organization's income and expenses are attributable to the operation of the Multiple Listing Service, it therefore constitutes the primary activity of the \_\_\_\_\_

**Law:**

**Internal Revenue Code Section 501(c):**

(6) 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.

**Treas. Reg. 1.501(c)(6)-1:**

Business leagues, chamber of commerce, real estate boards, and board of trade.—A business league is an association of persons having some common business 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 towards the improvement of business conditions of one or more lines of business as distinguished from the performance of a 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 organization 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

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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 tax exempt.

**Revenue Ruling 59-234 provides--**

A real estate board whose primary purpose or activities is the operation of a multiple listing system is considered to be rendering particular services for its members and is not exempt from Federal income tax as an organization described in section 501(c)(6) of the Internal Revenue Code. See Rev. Rul. 59-234 attached.

**Evanston-North Shore Board of Realtors v. The United States provides--**

The Evanston-North Shore Board of Realtors operated a Multiple Listing Service (MLS) for its members as its principle activity, and thus did not qualify for tax exemption because the MLS benefited member brokers by bringing buyers and sellers together to facilitate sales of property. The operation of the MLS was not an incidental activity of the board, since 5 of its gross income was derived from the listing service.

The court concluded the following:

Hence, we sustain the determination of the Internal Revenue Service that the operation of plaintiff's multiple listing system cannot be regarded as directed to the improvement of business conditions in the real estate market within the meaning of the regulations, but rather constitutes the performance of a particular service for brokers participating in the service. See Court Case Attached.

**Taxpayer's Opinion:**

The taxpayer believes that the organization's MLS is a natural activity and an integral part of a real estate board and should not affect their tax-exempt status. However, the organization has agreed to the revocation of its tax-exempt status by filing the Forms 1120.

**Government's Position:**

Per the mutual agreement between your organization and the Internal Revenue Service, we have conclude that your organization's exempt status should be revoked because it has failed to meet the requirements of an organization described under IRC section 501(c)(6). The organization's primary activity is the operation of its multiple listing service for the benefit of its members, which closely resembles the activities of the organization described in the Evanston-North Shore Board of Realtors v. The United

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States court case. In the Evanston-North Shore Board of Realtors court case the organization was held not to be exempt because the operation of its MLS could not be regarded as being directed to the improvement of business conditions in the real estate market within the meaning of the Treasury Regulations, but rather constitutes the performance of a particular service for brokers participating in the service. Your organization operates its MLS in the same manner as the Evanston-North Shore Board of Realtors. This can be deemed your organization's primary activity because your income comes from the operation of the MLS and your expenditures are attributable to the MLS activity. Thus, it has been determined that you do not meet the requirements of IRC section 501(c)(6) and therefore, we propose the revocation of your organization's tax-exempt status effective . . . . It is further stated that you have agreed to the revocation of your tax-exempt status by filing the Forms 1120 for tax periods . . . .