

An organization formed to promote the tourist industry in its area and whose principal activity is the publication of a yearbook consisting largely of paid advertisements for its member is not entitled to exemption from Federal income tax under section 501(a) of the Internal Revenue Code of 1954 as an organization described in section 501(c)(6).

Advice has been requested whether an organization formed to promote the tourist industry in its territory and which publishes a year-book consisting largely of paid advertisements by members may qualify for exemption from Federal income tax as a business league under section 501(a) of the Internal Revenue Code of 1954 as an organization described in section 501(c)(6).

The instant organization was formed as a nonprofit corporation to promote the tourist industry in its territory. Membership consists primarily of individuals and corporations who are engaged in various business enterprises which stand to profit from the promotion of the tourist industry in the area served by the organization. Membership dues are fixed on a sliding scale arrangement which is based on the character and volume of business handled by the particular member. The organization's affairs are managed by a board of directors composed of one member from each of the several counties located in the territory covered by the organization. Its principal activity consists of publishing and distributing a tourist guidebook comprised largely of members' advertising. It also conducts a program of advertising in newspapers and other media designed to attract tourists to the various vacation spots located in the trade territory of its members. The income is derived primarily from the sale of tourist guidebooks and travel maps, members' advertising in the tourist guidebook, and membership fees. The advertisements consist of a listing of the name and address of the member-advertiser and a description of the product sold or the service rendered by the advertiser.

Section 501(c) of the Code describes certain organizations exempt from Federal income tax under section 501(a) and provides, in part, as follows:

(6) Business leagues, chambers of commerce, real-estate boards, or boards of trade, not organized for profit and no part of the net earnings of which inures to the benefit of any private shareholder or individual.

Section 1.501(c)(6)-1 of the Income Tax Regulations describes a business league as 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.

The publication of advertising matter containing listings of the names of individual members constitutes advertising for the individuals so advertised and is thus considered the performance of particular services for such individuals, rather than an activity aimed at the improvement of general business conditions.

Inasmuch as the principal activity of the instant organization is the publication of such advertising, it is concluded that the organization does not qualify for exemption from Federal income tax under section 501(a) of the Code as an organization described in section 501(c)(6).