



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

Release Number: 201621017
Release Date: 5/20/2016
UIL Code: 501.06-03

Date: February 25, 2016

Employer ID number:

Contact person/ID number:
Customer Service
Contact telephone number:

Form you must file:

Tax years:

Dear :

This letter is our final determination that you don't qualify for tax-exempt status under Section 501(c)(6) of the Internal Revenue Code (the Code). Recently, we sent you a proposed adverse determination in response to your application. The proposed adverse determination explained the facts, law, and basis for our conclusion, and it gave you 30 days to file a protest. Because we didn't receive a protest within the required 30 days, the proposed determination is now final.

You must file federal income tax returns for the tax years listed at the top of this letter using the required form (also listed at the top of this letter) within 30 days of this letter unless you request an extension of time to file.

We'll make this final adverse determination letter and the proposed adverse determination letter available for public inspection (as required under Section 6110 of the Code) after deleting certain identifying information. Please read the enclosed Notice 437, *Notice of Intention to Disclose*, and review the two attached letters that show our proposed deletions. If you disagree with our proposed deletions, follow the instructions in the Notice 437 on how to notify us. If you agree with our deletions, you don't need to take any further action.

If you have questions about this letter, you can contact the person listed at the top of this letter. If you have questions about your federal income tax status and responsibilities, call our customer service number at 1-800-829-1040 (TTY 1-800-829-4933 for deaf or hard of hearing) or customer service for businesses at 1-800-829-4933.

Sincerely,

Jeffrey I. Cooper
Director, Exempt Organizations
Rulings and Agreements

Enclosures:

Notice 437

Redacted Letter 4034, *Proposed Adverse Determination under IRC Section 501(a) Other Than 501(c)(3)*

Redacted Letter 4040, *Final Adverse Determination under IRC Section 501(a) Other Than 501(c)(3) - No Protest*



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

Date: December 16, 2015

Employer ID number:

Contact person/ID number:

Contact telephone number:

Contact fax number:

Legend:

X = Brand

UIL:

501.06-00

501.06-03

Dear _____ :

We considered your application for recognition of exemption from federal income tax under section 501(a) of the Internal Revenue Code (the Code). Based on the information provided, we determined that you don't qualify for exemption under section 501(c)(6) of the Code. This letter explains the basis for our conclusion. Please keep it for your records.

Issue

Do you qualify for exemption under section 501(c)(6) of the Code? No, for the reasons stated below.

Facts

You are a membership association open exclusively to employees of X dealerships who serve as Purchasing Managers, Directors, Supply Chain Positions, Finance Managers and/or their designated associates, Fleet Managers and/or their designated associates. Employment in this capacity within an X dealership provides automatic membership. No formal dues are assessed.

You were formed to raise the level of procurement professionals among your X dealers by:

- Sharing best practices,
- Promoting the benefits of standard policies and procedures,
- Networking with other dealers, and
- Encouraging continuous education.

The benefits you provide are:

- A purchasing strategy aligned with dealership goals,
- Top management support for future purchasing initiatives,

- Improved efficiencies,
- Increased value to the organization, and
- Increased value to the dealer organization and the extended X organization.

Your primary activity is hosting annual meetings where you encourage members to improve their level of professionalism for the benefit of X dealers and the extended X organization. Members elect your officers and general board members at the annual meetings.

You will be supported primarily through financial sponsorship from vendor suppliers of X products to help offset the cost of the annual conference. Each attending member will be billed for any residual outstanding costs, if any.

Law

Section 501(c)(6) of the Internal Revenue Code of 1986 provides exemption from federal income tax for business leagues 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 states 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. 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.

Revenue Ruling 55-444 states that an organization formed to promote the business of a particular industry that carries out its purposes primarily by conducting a general advertising campaign to encourage the use of products and services of the industry as a whole is exempt from tax notwithstanding that such advertising to a minor extent constitutes the performance of particular services for its members.

Revenue Ruling 67-77 states that an organization composed of dealers in a certain make of automobile in a designated area is organized and operated for the primary purpose of financing general advertising campaigns to promote, with funds contributed by dealer members, the sale of that make of automobile. Held, the organization is performing particular services for its members and is not entitled to exemption from Federal income tax as a business league under section 501(c)(6) of the Internal Revenue Code of 1954.

Revenue Ruling 67-295 states that an organization composed of businessmen may qualify for exemption where its activities are limited to holding luncheon meetings devoted to a discussion, review, and consideration of the various problems in a particular industry directed to the improvement of business conditions for the industry as a whole.

An organization whose members represent diversified businesses that own, rent, or lease computers produced by a single computer manufacturer does not qualify for exemption under IRC 501(c)(6). Rev. Rul. 83-164, 1983-2 C.B. 95.

The Tax Court held that the American Automobile Association, a national association of individual auto owners and affiliated auto clubs, did not qualify as a business league because the Association's principal activities consisted of securing benefits and performing particular services for members. *American Automobile Association v. Commissioner*, 19 T.C. 1146 (1953).

In *National Muffler Dealers Association v. United States*, 440 U.S. 472 (1979), the Supreme Court held that an association of a particular brand name of muffler dealers did not qualify for IRC 501(c)(6) status because it was not engaged in the improvement of business conditions of a line of business. This effectively settled the "line of business" issue

In *Guide International Corporation v. United States*, 948 F.2d 360 (7th Cir. 1991), the court concluded that an association of computer users did not qualify for exemption under IRC 501(c)(6) because it essentially benefited users of I.B.M. equipment.

Application of law

You are not a business league as described in IRC 501(c)(6) and section 1.501(c)(6)-1 of the Income Tax Regulations because you are not organized to improve the business conditions of one or more lines of business as a whole. Instead, you were formed to improve the business practices of one company, X.

You are not similar to the organizations described in Revenue Rulings 55-444 and 67-295. In these rulings, the organizations worked to improve the business conditions of entire industries. In contrast, your purpose and activities are directed at the promotion of X dealers, their employees, and the extended X organization. You are not improving the business conditions of an industry as a whole.

Like the organizations in Revenue Ruling 67-77 and 83-164, your membership is restricted to dealers and employees of a specific make of equipment. You were formed to promote practices solely intended to facilitate and promote the products and services for specific brand of equipment, X.

You are similar to the organization in *American Automobile Association v. Commissioner*, 19 T.C. 1146 (1953) in that your services are intended to increase sales of X brand products.

Your operations are remarkably similar to *National Muffler Dealers Association v. United States*, 440 U.S. 472 (1979), and *Guide International Corporation v. United States*, 948 F.2d 360 (7th Cir. 1991). You are an association of members who are employees of X dealers. Your activities are directed to improving and promoting X products, and you do not intend to extend any of your activities to improvement of business conditions of one or more lines of business as required by IRC 501(c)(6).

Conclusion

You were not formed for the improvement of one or more lines of business, or any other purpose described in section 501(c)(6) of the Code. Instead, you were formed for the betterment X dealers and their employees. Accordingly, you do not qualify for exemption under section 501(c)(6) of the Code.

If you don't agree

You have a right to file a protest if you don't agree with our proposed adverse determination. To do so, you must send a statement to us within 30 days of the date of this letter. The statement must include:

- Your name, address, employer identification number (EIN), and a daytime phone number
- A copy of this letter highlighting the findings you disagree with
- An explanation of why you disagree, including any supporting documents
- The law or authority, if any, you are relying on
- The signature of an officer, director, trustee, or other official who is authorized to sign for the organization, or your authorized representative
- One of the following declarations:

For an officer, director, trustee, or other official who is authorized to sign for the organization:
Under penalties of perjury, I declare that I examined this protest statement, including accompanying documents, and to the best of my knowledge and belief, the statement contains all relevant facts and such facts are true, correct, and complete.

For authorized representatives:
Under penalties of perjury, I declare that I prepared this protest statement, including accompanying documents, and to the best of my knowledge and belief, the statement contains all relevant facts and such facts are true, correct, and complete.

Your representative (attorney, certified public accountant, or other individual enrolled to practice before the IRS) must file a Form 2848, *Power of Attorney and Declaration of Representative*, with us if he or she hasn't already done so. You can find more information about representation in Publication 947, *Practice Before the IRS and Power of Attorney*.

We'll review your protest statement and decide if you provided a basis for us to reconsider our determination. If so, we'll continue to process your case considering the information you provided. If you haven't provided a basis for reconsideration, we'll forward your case to the Office of Appeals and notify you. You can find more information about the role of the Appeals Office in Publication 892, *How to Appeal an IRS Decision on Tax-Exempt Status*.

Where to send your protest

Please send your protest statement, Form 2848, if needed, and any supporting documents to the applicable address:

U.S. mail:

Internal Revenue Service
EO Determinations Quality Assurance
Room 7-008
P.O. Box 2508
Cincinnati, OH 45201

Street address for delivery service:

Internal Revenue Service
EO Determinations Quality Assurance
550 Main Street, Room 7-008
Cincinnati, OH 45202

You can also fax your statement and supporting documents to the fax number listed at the top of this letter. If you fax your statement, please contact the person listed at the top of this letter to confirm that he or she received it.

If you agree

If you agree with our proposed adverse determination, you don't need to do anything. If we don't hear from you within 30 days, we'll issue a final adverse determination letter. That letter will provide information on your income tax filing requirements.

You can find all forms and publications mentioned in this letter on our website at www.irs.gov/formspubs. If you have questions, you can contact the person listed at the top of this letter.

Sincerely,

Jeffrey I. Cooper
Director, Exempt Organizations
Rulings and Agreements

Enclosure:
Publication 892