



Department of the Treasury

Internal Revenue Service

P.O. Box 2508

Cincinnati, OH 45201

Release Number: **201639016**

Release Date: 9/23/2016

UIL Code: 501.06-00

501.06-01

Date: June 30, 2016

Employer ID number:

Contact person/ID number:

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: May 2, 2016

Employer ID number:

Contact person/ID number:

Contact telephone number:

Contact fax number:

Legend:

B = State

C = Date of formation

UIL:

501.06-00

501.06-01

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 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 were previously exempt under Section 501(c)(5) of the Code and your exemption was automatically revoked because you did not file timely Form 990 series annual returns for three consecutive years. You applied for reinstatement under Section 501(c)(6). You applied under Section 501(c)(6) rather than Section 501(c)(5) because your membership has evolved and now consists of about half farmers and half processors.

You were formed in the State of B on C. Your Articles of Incorporation state that you are formed to provide an outlet for farmers, cheesemakers, bakers, and crafts people to sell their products. Your bylaws state that your purpose is to provide a venue for open competition among your members without restriction or limitation on specific products, to provide the agriculture producers of mid-coast B with a venue to present their products directly to consumers, and to provide the consumers in your region with the very best quality farm-fresh produce and products possible that are made or grown in B.

Membership is open to B residents who are agriculture producers of vegetables, fruit, flowers, fungi, meat, poultry, fiber, dairy, fish or value-added items such as baked goods and preserves. You have full-time members and provisional members. Provisional members do not have voting rights and their conversion to full-time membership is contingent upon a vote by the full-time members.

You host a market for the general public every Saturday throughout the year. The market exists to provide a venue for your members to sell their products directly to consumers. You spend 40% of your time organizing,

preparing for, participating in and conducting meetings. The meetings consist of admitting new members, converting provisional members to full-time members, advertising/promoting the market, supporting and participating in local community programs compatible with your market, marketing layout and member logistics, regulatory issues affecting the market and reporting on the financial status of the market.

You spend approximately 35% of your time managing payments to market members in exchange for tokens. You've conducted the token program for several years. This program allows low and no-income individuals receiving public assistance to swipe their benefits card to receive tokens that can be exchanged for goods at your market. In addition, regular customers can exchange credit card payments for tokens so they can purchase goods from members who cannot receive credit card payments. You prepare and distribute checks to market members in exchange for market tokens received by your members.

You spend approximately 25% of your time managing the market during market days. This involves resolving market logistics problems, resolving disputes between market members, interviewing potential market members, preventing encroachment into the market space by hawkers and peddlers, and notifying your local police department when there are problems with pickpockets, abusive customers, or counterfeit currency.

Law

Section 501(c)(6) of the Internal Revenue Code provides for exemption of business leagues, chambers of commerce, real estate boards, boards of trade, and professional football leagues (whether or not administering a pension fund for football players), which are not organized for-profit and no part of the net earnings of which inures to the benefit of any private shareholder or individual.

Treasury Regulation Section 1.501(c)(6)-1 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.

Rev. Rul. 56-65, 1956-1 C.B. 199, holds that a local organization whose principal activity consists of furnishing particular information and specialized individual services to its individual members engaged in a particular industry, through publications and other means to effect economies in the operation of their individual businesses, is performing particular services for individual persons. Such organization is not entitled to exemption under Section 501(c)(6) of the Code as a business league, even though it performs functions that are of benefit to the particular industry and the public generally.

Rev. Rul. 58-224, 1958-1 C.B. 242, held that an organization which operated a trade show as its sole activity, primarily for the purpose of rendering particular services to individual persons was not entitled to exemption as a business league under Section 501(c)(6) of the Code. The organization's sole activity consisted of staging an annual merchandise show (primarily exhibits by manufacturers), under the sponsorship of the chamber of commerce. The ruling concluded that the activities of the organization substantially served the exhibitors and retailers as a convenience and economy in the conduct of their businesses by providing selling opportunities for

the distributors, which was found to be considered rendering particular services for individuals as distinguished from the improvement of business conditions generally.

Rev. Rul. 68-264, 1968-1 C.B. 264, defined a particular service for the purpose of Section 501(c)(6) of the Code as including an activity that serves as a convenience or economy to members of the organization in the operation of their own businesses.

In Rev. Rul. 73-411, 1973-2 C.B. 180, the history of Section 501(c)(6) of the Code was described while discussing the exempt status of a shopping center. In the case of a chamber of commerce or similar organization, the common business interest is usually the general economic welfare of a community. An organization seeking exemption as a chamber of commerce must be one whose efforts are directed at promoting the common economic interests of all commercial enterprises in a given trade community. The ruling also stresses that membership in Section 501(c)(6) organizations is voluntary and open generally to all businesses and professional persons in the community.

Application of law

To be exempt under Section 501(c)(6) of the Code, your activities must be directed to the improvement of business conditions of one or more lines of business, and not benefit any private shareholder or individual. As stated in Treas. Reg. Section 1.501(c)(6)-1, the purpose of a business league is to promote a common interest with activities 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.

You are not as described in Treas. Reg. Section 1.501(c)(6)-1 because you are formed to provide particular services to your members.

By operating and marketing a venue for your members to sell their products to the public, you are not operated to improve the business conditions of one or more lines of business because your activities only serve as a means for your members to market and sell their products to the public. This is in stark contrast to the purpose of Treas. Reg. Section 1.501(c)(6)-1. In addition, the operation of a market where the general public purchases goods for consumption is akin to a regular business of a kind ordinarily carried on for profit.

You are similar to the organization described in Rev. Rul. 56-65 and 58-224 in that you are formed to promote the economic interests of your members by providing a venue for them to sell their goods to the public. By marketing the activity to the general public and providing the venue, you are performing a particular service to your members rather than directing your activities to the improvement of business conditions of your industry as a whole.

Serving your members in this manner provides a convenience and economy of scale in the conduct of their business they would otherwise not have without your operation. Given that your primary activity is directed at providing a particular service to your members, you are similar to the situation described in Rev. Rul. 68-264.

You are like the organization in Rev. Rul. 73-411 and not described as a chamber of commerce because you do not direct your efforts at promoting the common economic interests of all the commercial enterprises in your given trade community. Your activities are directed at promoting the general business interest of your members only, rather than all the commercial enterprises in your given trade community.

Conclusion

Based on the information provided we conclude that you are not operated as a business league described in Section 501(c)(6) of the Code. Your operations provide specific services to members and allow a convenience and private economic benefit. You do not improve business conditions along one or more lines of business or of a certain area but instead provide services for the convenience of your members. Therefore, you do not qualify for exemption under Section 501(c)(6).

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*.

If you don't file a protest within 30 days, you can't seek a declaratory judgment in court at a later date because the law requires that you use the IRS administrative process first (Section 7428(b)(2) of the Code).

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