



Department of the Treasury
Internal Revenue Service
Tax Exempt and Government Entities
Exempt Organizations Examinations

Release Number: **201702044**
Release Date: 1/13/2017
UIL Code: 501.06-00

Date:
June 8, 2016
Taxpayer Identification Number:

Form:

Tax Year(s) Ended:
December 31, 20XX
Person to Contact/ID Number:

Contact Numbers:
Telephone:
Fax:
Manager's Name/ID Number:

Manager's Contact Number:

Response due date:
July 7, 20XX

Certified Mail – Return Receipt Requested

Dear _____ :

Why you are receiving this letter

We propose to revoke your status as an organization described in section 501(c)(6) of the Internal Revenue Code (Code). Enclosed is our report of examination explaining the proposed action.

What you need to do if you agree

If you agree with our proposal, please sign the enclosed Form 6018-A, *Consent to Proposed Action*, and return it to the contact person at the address listed above (unless you have already provided us a signed Form 6018). We'll issue a final revocation letter determining that you aren't an organization described in section 501(c)(6).

If we don't hear from you

If you don't respond to this proposal within 30 calendar days from the date of this letter, we'll issue a final revocation letter. Failing to respond to this proposal will adversely impact your legal standing to seek a declaratory judgment because you failed to exhaust your administrative remedies.

Effect of revocation status

If you receive a final revocation letter, you'll be required to file federal income tax returns for the tax year(s) shown above as well as for subsequent tax years.

What you need to do if you disagree with the proposed revocation

If you disagree with our proposed revocation, you may request a meeting or telephone conference with the supervisor of the IRS contact identified in the heading of this letter. You also may file a protest with the IRS Appeals office by submitting a written request to the contact person at the address listed above within 30 calendar days from the date of this letter.

States Claims Court, or the district court of the United States for the District of Columbia must be filed before the 91st Day after the date this determination was mailed to you. Please contact the clerk of the appropriate court for rules regarding filing petitions for declaratory judgments by referring to the enclosed Publication 892. You may write to these courts at the following addresses:

United States Tax Court
400 Second Street, NW
Washington, D.C. 20217

United States Court of Federal Claims
717 Madison Place, NW
Washington, D.C. 20005

United States District Court for the District of Columbia
333 Constitution Avenue, NW
Washington, D.C. 20001

The Taxpayer Advocate Service (TAS) is an independent organization within the IRS that can help protect your taxpayer rights. TAS can offer you help if your tax problem is causing a hardship, or you've tried but haven't been able to resolve your problem with the IRS. If you qualify for TAS assistance, which is always free, TAS will do everything possible to help you. Visit taxpayeradvocate.irs.gov or call 1-877-777-4778.

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

Thank you for your cooperation.

Sincerely,

Margaret Von Lienen
Director, EO Examinations

Enclosure:
Publication 892



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The Appeals office is independent of the Exempt Organizations division and resolves most disputes informally.

For your protest to be valid, it must contain certain specific information including a statement of the facts, the applicable law, and arguments in support of your position. For specific information needed for a valid protest, please refer to page one of the enclosed Publication 892, *How to Appeal an IRS Decision on Tax-Exempt Status*, and page six of the enclosed Publication 3498, *The Examination Process*. Publication 3498 also includes information on your rights as a taxpayer and the IRS collection process. Please note that Fast Track Mediation referred to in Publication 3498 generally doesn't apply after we issue this letter.

You also may request that we refer this matter for technical advice as explained in Publication 892. Please contact the individual identified on the first page of this letter if you are considering requesting technical advice. If we issue a determination letter to you based on a technical advice memorandum issued by the Exempt Organizations Rulings and Agreements office, no further IRS administrative appeal will be available to you.

Contacting the Taxpayer Advocate Office is a taxpayer right

You have the right to contact the office of the Taxpayer Advocate. Their assistance isn't a substitute for established IRS procedures, such as the formal appeals process. The Taxpayer Advocate can't reverse a legally correct tax determination or extend the time you have (fixed by law) to file a petition in a United States court. They can, however, see that a tax matter that hasn't been resolved through normal channels gets prompt and proper handling. You may call toll-free 1-877-777-4778 and ask for Taxpayer Advocate assistance. If you prefer, you may contact your local Taxpayer Advocate at:

Internal Revenue Service
Office of the Taxpayer Advocate

For additional information

If you have any questions, please call the contact person at the telephone number shown in the heading of this letter. If you write, please provide a telephone number and the most convenient time to call if we need to contact you.

Thank you for your cooperation.

Sincerely,

Margaret Von Lienen
Director, EO Examinations

Enclosures:
Report of Examination
Form 6018
Publication 892
Publication 3498

Form 886A	Department of the Treasury - Internal Revenue Service Explanation of Items	Schedule No. or Exhibit 990
Name of Taxpayer		Year/Period Ended December 31, 20XX

ISSUE:

Whether should be exempt under Section 501(c) (6) of the Internal Revenue Code

FACTS:

was recognized as exempt from Federal income tax under section 501 (c) (6) of the Internal Revenue Code by letter dated November 22, 20XX.

original articles of incorporation filed with the Secretary of State states their purpose to form a not for profit entity that will provide counselling services for the and similar entities. filed articles amended stating that organization purpose is organized and to create a perpetual not-for-profit in Downtown under a renewable permit granted by the City of

's Bylaws prepared on November 5, 20XX and approved/signed on November 7, 20XX stated their purpose to provide and organized venue and a structured organization for the members to and sell their products to the Community in the Downtown area.

In addition stated that shall:

1. Establish and operate a to facilitate sales of fresh foods, horticultural products, and related arts and crafts.
2. Work with the County Agricultural Extension Office/University of () and similar organizations to promote the production of fresh produce and horticultural products in County.
3. Organization and/or participate in educational and other activities that promote the use of fresh produce and horticultural products.
4. Organize and/or participate in those activities that, in conjunction with the operation of a , will serve to encourage commerce and trade in Downtown
5. Organize and/or participate in those activities that will serve to further the Corporation's mission to bring additional business to Downtown
6. Encourage development of local school music and other school programs and customer participation and support of other local non-profit organization by providing a venue and audience.
7. Conduct research necessary to further the development of the
8. Solicit and receive grants, donations, financial support, sponsorships that allow for the furtherance of the mission of the

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Explanation of Items		
Name of Taxpayer		Year/Period Ended December 31, 20XX

9. Implement programs, and take action to promote the goals of the

activity is organize and operate a weekly open air in the downtown where it's members sell locally grown products, prepared food, and hand-crafter items.

received income from their members paying for the rent of the space in the to sell and exhibit their products. pays for advertise and promote the equipment and supplies need it and entertainment.

LAW:

Section 501 (c)(6) of the Internal Revenue Code provide exemption for business leagues, chamber 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 individual.

Section 1.501 (c) (6)-1 of the Income tax Regulations defines a business league as an association of persons (the term "persons" includes legal entities such as corporations and trusts) having a 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. Its activities are directed toward the improvement of business conditions of one or more lines of business as distinguished from the performance of particular services for individual persons.

Rev. Rul. 56-65, 1956-1 C.B. 199, clarified Rev. Rul. 65-164 & 72-211 states that a local organization whose principal activity consists of furnishing particular information and specialized individual service to its individual members engaged in a particular industry, through publications and other means to affect economies in the operation of their individual businesses is performing particular services for individual persons. Such organization, therefore, is not entitled to exemption from Federal income tax under section 501(c)(6) of the Internal Revenue Code of 1954 as a business league even though it performs functions which are of benefit to the particular industry and the public generally.

TAXPAYER'S POSITION:

The exempt organization's position has not been determined.

GOVERNMENT'S POSITION:

Form 886A	Department of the Treasury - Internal Revenue Service	Schedule No. or Exhibit 990
Explanation of Items		
Name of Taxpayer		Year/Period Ended December 31, 20XX

Section 1.501 (c) (6)-1 of the Income tax Regulations states in part that an organization exempt under this section must promote a common interest and not engage in a regular business of a kind ordinarily carried on for profit. It goes on to state that its activities are directed toward the improvement of business conditions of one or more "lines of business" as distinguished from the performance of particular services for individual persons.

's organizational document's specifically state in part that they are organized and operated to provide and sell their products to the Community in the Downtown area; establish and operate a to facilitate sales of fresh foods, horticultural products, and related arts and crafts; organize and/or participate in those activities that, in conjunction with the operation of a , will serve to encourage commerce and trade in Downtown

did not demonstrate how their activities were directed to improvement the business conditions of one or more lines of business as distinguished from the performance of particular services for their members. Instead of engaging in activities for the improvement of business conditions in a whole, they are performing specific services to its members.

Such activities include but certainly are not limited to fostering and promoting retail trade and commerce in connection with the products and services of its members; fostering and promoting the interest of its members; promoting the sale of products owned by its members; and conducting and managing advertisement and promotional activities for its members.

These activities promote the economic outcome of the individual members as opposed to the industry. These activities are all examples of the performance of particular services for individual persons.

CONCLUSION:

It is the IRS's position that the organization does not qualify as exempt from Federal income tax under section 501(c) (6) of the Internal Revenue Code.