

SEP 22 1995

CERTIFIED MAIL

Dear Applicant:

We have considered your application for recognition of exemption from Federal income tax under section 501(c)(6) of the Internal Revenue Code and have determined that you do not qualify for tax exemption under that section. Our reasons for this conclusion and the facts on which it is based are explained below.

The information provided indicates that the organization incorporated in the [redacted] on [redacted]. The certificate from the State dated [redacted] list the name of the organization as the [redacted]. However, the articles of incorporation states that the name of the organization is [redacted]. Henceforth the organization will be referred to as [redacted].

The organization is a membership organization comprised of three classes of members, Active, Associate and Honorary.

- An Active member is an operating owner, lessee, member of a firm or corporation interested in ownership or lease manager of a reputable recognized hotel, motel, guest house, rooming house or apartment house located in the Wildwoods.
- An Associate member is an individual, company or corporation who may have a close trade affiliation with hotels, motels, guest houses, rooming houses and apartment houses within the area.
- An Honorary member is anyone who has performed a significant service to the Association or in the field of hotel-motel management.

Currently, the organization has [redacted] Active/Full members and [redacted] Associate members.

Code	Initiator	Reviewer	Reviewer	Reviewer	Reviewer	Reviewer	Reviewer
	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Surname	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Date	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]

[REDACTED]

The purposes of the organization, as stated on page 2 of Form 1024, are as follows:

"The object and goal of the Association shall be to foster and promote the best interests of all [REDACTED] owners in the [REDACTED]."

The Association undertakes numerous projects all with the intention of generating funds for advertising projects which enhance the general business as well as the [REDACTED] industry.

The Association also operates the Welcome Center, located at the main entrance to town. This center provides general information and assistance to all visitors.

The Association also assists other local organizations with activities/events aimed at improving [REDACTED] and general quality of life in the [REDACTED]."

In operation, the organization devotes [REDACTED] percent of its time to a [REDACTED]. The purpose of the service is to provide information about the organization's members. Often the operators will refer the callers to another local entity.

It devotes [REDACTED] percent of its time to a referral service which identifies vacant rooms of member businesses.

[REDACTED] percent of the organization's time is devoted to a bulk buying service. The bulk buying service assist members in obtaining the most competitive prices for products and services.

The primary purpose of the organization is the promotion of a directory and visitor's guide. The directory/visitor's guide reflects the names, addresses, telephone numbers and prices of the members businesses. It also, reflects the non-member [REDACTED] in the area. The majority of the listings in the directory/visitor's guide are the organization's members.

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, 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.

[REDACTED]

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. 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.

Revenue Ruling 56-65, published in Cumulative Bulletin 1956-1, on page 194, held that a local organization whose principal activity consisted of furnishing particular information and specialized individual service to its individual members engaged in a particular industry through publications and other means to effect economies in the operation of their individual businesses was performing particular services for individual persons. Such organization did not qualify for exemption under section 501(c)(6), of the Internal Revenue Code as a business league even though it performed functions which were of benefit to the particular industry and the public generally.

Revenue Ruling 65-14, published in Cumulative Bulletin 1965-1, on page 236, held that an organization formed to promote the tourist industry in the area and whose principal activity is the publication of a yearbook consisting largely of paid advertisement for its members is not entitled to exemption from Federal income tax under section 501(c)(6) of the Internal Revenue Code.

Based upon the facts that have been presented, we have determined that the organization does not qualify for exemption under Internal Revenue Code 501(c)(6).

The organization is similar to Revenue Rulings 56-65 and 65-14. The directory/visitor's guide, through the advertising, effects the economies of the members in the operation of their individual businesses. By listing member's names, addresses, telephone numbers, and prices, the Association provides a competitive advantage to its members. As stated in letter dated August 8, 1995, "When all of our member properties are full, all non-members receive the benefit of overflow". This is the performance of a particular service and is prohibited.

Although there is a benefit to non-members, from the operation of [REDACTED] and the listing of non-member businesses in the directory/visitor's guide, the substantial benefits of the services provided to members supersedes the benefits to non-members. Thus the organization does not qualify for exemption under Internal Revenue Code 501(c)(6).

[REDACTED]

Therefore, we have concluded that you do not qualify for exemption from Federal income tax as an organization described in section 501(c)(6) of the Code. In accordance with this determination, you are required to file Federal income tax returns on Form 1120.

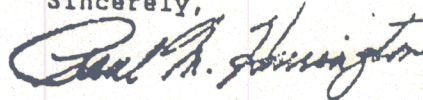
If you do not agree with our determination, you may request consideration of this matter by the Office of Regional Director of Appeals. To do this you should file a written appeal as explained in the enclosed Publication 892. Your appeal should give the facts, law, and any other information to support your position. If you want a hearing, please request it when you file your appeal and you will be contacted to arrange a date. The hearing may be held at the regional office, or, if you request, at any mutually convenient district office. If you will be represented by someone who is not one of your principal officers, that person will need to file a power of attorney or tax authorization with us.

If you don't appeal this determination within 30 days from the date of this letter, as explained in Publication 892, this letter will become our final determination on this matter.

Appeals submitted which do not contain all the documentation required by Publication 892 will be returned for completion.

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

Sincerely,



Paul M. Harrington  
District Director

Enclosure: Publication 892