[redacted]

[redacted]

JUL 08 1986

CERTIFIED MAIL

Dear Sir or Madam:

We have considered your application for exemption from Federal income tax as an organization described in section 501(c)(3) of the Internal Revenue Code and the supporting information submitted.

The evidence submitted indicates you were incorporated under the laws of [redacted] on [redacted]. Your purposes as stated in your Articles of Incorporation are charitable, religious, educational and scientific. Your specific purposes as stated in your By-Laws are promoting the knowledge, application, and enjoyment of micro-computers, and promoting groups of micro-computer users who share your purposes.

Your activities as stated in the application include organizing and running computer shows aimed at end users who actually buy and use [redacted] related products. Sales of computers and related products are conducted at these shows and demonstrations of new services and products for [redacted] users are offered by manufacturers and retail vendors. You have established and maintain liaison with [redacted] enabling you to represent your members' concerns to the company and to relay news and test products to the users. You also maintain a bulletin board and program exchange services for member user groups.

Membership is open to any non-profit organization of micro-computer users as stated in your By-Laws. You note in the application, however, that member groups must be "bonafide [redacted]".

Your income comes primarily from your computer conventions, over [redacted]% of your total income, with member dues providing only [redacted]%.

Section 501(c)(3) of the Code exemp[illegible] organizations which are organized and operated exclusively [illegible] charitable and educational purposes, no part of the net earnin[illegible]f which inures to the benefit of any private shareholder or individual.

[redacted] 6/26

	Initiator	Reviewer	Reviewer	Reviewer	Reviewer	Reviewer	Reviewer
Code	[redacted]	[redacted]	[redacted]				
Surname							
Date	6/26/86	6/30/86	7-8-86				

[redacted]

Section 1.501(c)(3)-1(d)(1)(ii) of the Regulations states that an organization is not organized or operated exclusively for one or more exempt purposes unless it serves a public rather than a private interest.

Revenue Ruling 74-116, C.B. 1974-1, page 127, has to do with a membership organization devoted to developing and exchanging research data among users of a specific type of computer. The organization also serves a liaison between users and the manufacturer of the computer. The organization conducts meetings and seminars at which operational and technical problems relating to the use of this computer are discussed. Representatives of the manufacturer are invited to attend those functions to answer questions concerning the computer's operation. The organization publishes reports of its meetings and seminars for distribution to members. Membership is limited to organizations that own, rent, or use this specific computer. Income is from membership dues and seminar fees. Expenditures are made primarily for instructional materials, publishing and other operational expenses. The subject organization has requested exempt status under section 501(c)(3) of the Code. It was determined that the organization was not exempt because it was serving the private interests of its members.

Based on the information submitted, it appears that you are not organized and operated exclusively for charitable and educational purposes. Your organization was formed to promote the use of [redacted] computers and related products and the interests of your members who are users of those products.

Although your membership is open to the general public, it appears doubtful in light of your activities that those not owning or using [redacted] computers and their related products would be attracted to become members. Regardless of the composition of your membership, you provide members with services for their private benefit. Specifically, you provide discounted admissions to your computer conventions to members, a computer bulletin board, and access to a national telecomputing network with discounts available.

Your organization is similar to the organization described in Revenue Ruling 74-116 above since you too serve as a liaison between users and the manufacturer of the computer, conduct seminars and workshops during your computer conventions where operational and technical problems relating to the use of [redacted] computers are discussed, and have representatives of the manufacturer attend your conventions.

[redacted]

Your organization is serving private rather than public interests by directly and indirectly aiding [redacted] to distribute its products. Further, your activities are not charitable or educational since you provide direct economic benefits to your members.

We have concluded, therefore, that you are not an organization described in section 501(c)(3) of the Code. Based on the information submitted, exempt status will not be recognized under any related paragraph of Internal Revenue Code 501(c).

You are required to file Federal income tax returns on Form 1120. File returns for all years prior to the date of this letter with your Key District Director within 60 days from the date of this letter, unless a request for an extension of time is granted. File returns for later years with the appropriate service center indicated in the instructions for those returns.

If you do not accept our findings, we recommend that you request a conference with a member of our Regional Office of Appeals. Your request for a conference should include a written appeal giving the facts, law, and any other information to support your position as explained in the enclosed Publication 892. You will then be contacted to arrange a date for a conference. The conference may be held at the Regional Office or, if you request, at any mutually convenient District Office. If we do not hear from you within 30 days of the date of this letter, this determination will become final and a copy of this letter will be sent to the appropriate state officials in accordance with section 6104(c) of the Internal Revenue Code.

If you do not protest this proposed determination in a timely manner, it will be considered by the Internal Revenue Service as a failure to exhaust available administrative remedies. Section 7428(b)(2) of the Internal Revenue Code provides in part that, "A declaratory judgment or decree under this section shall not be issued in any proceeding unless the Tax Court, the Court of Claims, or the district court of the United States for the District of Columbia determines available to it within the Internal Revenue Service."

Sincerely yours,

[redacted]

District Director

Enclosure: Publication 892

cc: State Attorney General - [redacted]

State Attorney General - [redacted]