[redacted]

Person to Contact: [redacted]
Telephone Number: [redacted]
Refer Reply to:
Internal Revenue Service
P.O. Box A-3290 DPN 22-3
Attn: Chief, EP/EO Review Staff
Chicago, IL 60690

Date: APR 10 1989

We have considered your application for recognition of exemption from Federal Income Tax under Section 501(c)(6) of the Internal Revenue Code.

The information submitted discloses that you were incorporated on [redacted] under the nonprofit corporation laws of the State of [redacted].

Your purposes as stated in your Articles of Incorporation are "... To exchange information of concern to members, and negotiate for and/or purchase contractual liability insurance on a group basis only for its members, in addition to doing all other acts consistent with the purposes of Section 501(c)(6) of the Code..."

Your activities as stated in Form 1024, Part III are centered around the obtaining of contractual liability insurance for your members who are automobile dealers. Specifically, membership is limited to automobile dealers who issue extended warranty service contracts to their customers, the automobile buyers. The present and future source of support of your organization will be membership initiation fees. Your expenses will be incurred in "soliciting memberships, managing the Group, and in effecting, negotiating, procuring and maintaining insurance for members of the Group."

You stated that in correspondence dated [redacted] that, "The primary purpose of the coalition of the automobile dealerships in joining the [redacted] is to help ensure that insurance will be available if the traditional market goes through a tight period. By purchasing insurance with larger numbers, risks can be accepted by an insurer on a more reliable basis due to the pool of numbers."

	Originator	Reviewer	Reviewer	Reviewer	Reviewer	Reviewer	Reviewer
Code	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	
Surname							
Date	4/6/89	4/?/89	4/6/89	4-6-89	4-7-89	4/7/89	

[redacted]

Section 501(c)(6) of the Internal Revenue Code provides for exemption of "business leagues, chambers of commerce, real estate boards, boards of trade, or professional football leagues (whether or not administering a pension fund for football players), 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 Income Tax Regulations reads as follows:

"BUSINESS LEAGUES, CHAMBERS OF COMMERCE, REAL ESTATE BOARDS AND BOARDS OF TRADE. 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. An assocation engaged in furnishing information to prospective investors, to enable them to make sound investments, is not a business league, since its activities do not further any common business interest, even though all of its income is devoted to the purpose stated. A stock or commodity exchange is not a business league, a chamber of commerce, or a board of trade within the meaning of section 501(c)(6) and is not exempt from tax. Organizations otherwise exempt from tax under this section are taxable upon their unrelated business taxable income. See sections 511 to 515, inclusive and the regulations thereunder".

[redacted]

Revenue Ruling 74-81, 1974-1 C.B. 135, stated a nonprofit organization formed to promote the business welfare and interests of persons engaged in the contracting trade and related industries and whose principal activity is to provide its members with group workmen's compensation insurance is not entitled to exemption under section 501(c)(6) of the Code.

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 Internal Revenue Code. By providing contractual liability insurance for your members, you are relieving your members of obtaining this insurance on an individual basis, resulting in a convenience in the conduct of their business. Therefore, you are rendering particular services for your members as distinguished from the improvement of business conditions.

If you do not agree with these conclusions, you may within 30 days from the date of this letter, file a brief of the facts, law and arguments (in duplicate) which clearly sets forth your position. In the event you desire an oral discussion of the issues, you should so indicate in your submission. A conference will be arranged in the Regional Office after you have submitted your brief to the Chicago District Office and we have had an opportunity to consider the brief and it appears that the conclusions reached are still unfavorable to you. Any submission must be signed by one of your principal officers. If the matter is to be handled by a representative, the Conference and Practice Requirements regarding the filing of a power of attorney and evidence of enrollment to practice must be met. We have enclosed Publication 892, Exempt Organization Appeal Procedures for Adverse Determinations, which explains in detail your rights and procedures.

If we do not hear from you within 30 days from the date of this letter this determination will become final.

You are required to file Federal Income Tax Returns.

[redacted]

Please keep this determination letter in your permanent records.

If you agree with this determination please sign and return the enclosed Form 6018.

Very truly yours,

[redacted]

District Director

Enclosures:
Publication 892
Form 6018