[redacted]

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[redacted]

EP/EO

APR 0 1 1982

Gentlemen:

Your application for exemption from Federal income tax under the provisions of Section 501(c)(6) of the Internal Revenue Code has been considered.

The information submitted discloses that you were incorporated as a non-profit Corporation on [redacted].

Your Articles of Incorporation provide that your purposes are to promote the welfare, safety, maintenance and general well being of Merchants within the [redacted] and to encourage its members to deal fairly and courteously with their customers, to sell their merchandise or services at fair prices, to follow ethical business promotions and center-wide advertising; to advertise and to promote [redacted] as a first class shopping area; to fix assessments or charges to be levied against members of the Association for all costs and expenses incurred in fulfillment of the purposes of the Association; to pay and assess all such costs and each and every thing necessary, suitable or proper for the accomplishment of any other purposes herein enumerated and other lawful purposes in the best interests of the members of the Association.

It appears from the information submitted that all tenants of [redacted] are required by lease to be members and pay dues and other assessments based on the square foot occupancy of the leased premises.

Article 4.2 of your by-laws provides for the number of your directors and that the Lessor and a representative appointed by each Lessee occupying more than 15,000 square feet of space in the Shopping Center shall at all times be directors, the other directors will be elected on an annual basis.

Section 501(c)(6) of the Code provides for the exemption from Federal income tax of business leagues, chambers of commerce, and boards of trade not organized for profit and no part of the net earnings of which inures to the benefit of any private shareholder or individual.

	INITIATOR	REVIEWER	REVIEWER	REVIEWER	REVIEWER	REVIEWER	REVIEWER
CODE							
SURNAME	[redacted]	[redacted]	[redacted]	[redacted]			
DATE	3/24/82	3/25/82	3/31/82	3/31/82			

[redacted]

Section 1.501(c)(6)-1 of the Income Tax Regulations defines a business league as an association of persons having some common business interest, the purpose of which is to promote such interest and not to engage in a regular business of a type ordinarily carried on for profit. It is an organization of the same general class as a chamber of commerce or board of trade, and its activities should be directed to the improvement of business conditions in one or more lines of business as distinguished from the performance of particular services for individual persons.

Rev. Ruling 64-315, 1964-2 C. B. 147, holds that an association of merchants whose businesses constituted a "shopping center" failed to qualify for exemption under section 501(c)(6) of the Code where its activities consisted principally of advertising the individual businesses of its members.

Your membership is not structured along particular industry or business lines, but is composed of various types of business concerns and commercial endeavors comprising [redacted] Therefore, your right to exemption, if any, must rest on your characterization as a chamber of commerce or board of trade or similar organization.

In the case of a chamber of commerce or similar organization, the common business interest is usually the general economic welfare of a community. Membership is voluntary and open generally to all business and professional men in the community. It has long been accepted that an organization claiming exemption from Federal income tax under section 501(c)(6) as a chamber of commerce or a board of trade must be one whose efforts are directed at promoting the common economic interests of all the commercial enterprises in a given trade community. Retailers Credit Association v. Commissioner of Internal Revenue, 90 F.2d 47 (9th Cir. 1937); Northwestern Municipal Association v. United States, 22F. Supp. 18 (D. Minn. 1938), aff'd, 99 F. 2d 460 (8th Cir. 1938).

In reflecting the public nature of the communities typically represented by such organizations, the courts have accepted the standard, [illegible] legal definitions that refer to such communities as comprising "a city" or "a locality, a county or the like." Sam Crooks v. Kansas City Hay Dealers' Ass'n. 37F. 2d 83, 85 (8th Cir. 1929) and Retailers' Credit Association v. Commissioner of Internal Revenue, supra, at p. 51.

Because of the restrictive nature of your membership, which is limited to the owner and tenants of [redacted] and associate members within a mile of the Mall, you lack the essential element of public representation and "community" that is characteristic of organizations commonly accepted as being chambers of commerce or similar organizations.

In so far as your membership is compulsory with occupancy of facilities of [redacted], you also lack the characteristic voluntary membership of chambers of commerce and similar organizations.

[redacted]

Your apparent compulsory and clear limited membership features are directly related to the owner-tenant relationships of your members. They are designed to serve the owner's individual business interests in the operations of [redacted]. Your activities thus include those of a landlord-tenant association and as such directly assist the owner in facilitating the management and operation of his real estate enterprise.

To the extent your activities serve such purposes, they are not activities directed at improvement of business conditions of one or more lines of business or business conditions of any community as a whole, within the meaning of section 501(c)(6). They serve instead the individual business interests of the owner of the [redacted] and therefore fall outside the scope of the exemption accorded by section 501(c)(6).

Many of the broad-based publicity and promotional activities carried on by you are undoubtedly designed to stimulate the general volume of business carried on within [redacted]. It is nonetheless evident that even these activities fall short of supporting any section 501(c)(6) qualification. The common business interests served by these activities are not the business interests of members of the kind of public business community contemplated by the statute.

Revenue Ruling 64-315 was primarily addressed to the question of the effect of the effect of certain advertising on the qualification of the organization for exemption under section 501(c)(6) of the Code. It should not be construed as implying that an organization such as this Association, whose membership is restricted, and whose activities are directed solely to promoting the general business interests of its members, may be exempt under section 501(c)(6). Also, see Rev. Rul. 73, 411, 1973-2 C.B. 180.

We have concluded that, in both your structure and your operations, you do not possess the essential characteristics of an organization of the same general class as a chamber of commerce or a board of trade. Accordingly, we rule that you are not an organization described in section 501(c)(6) of the Code, and that you do not qualify for recognition of exemption from Federal income tax under that section.

You are required to file Federal income tax returns on Form 1120 for each year that you have been in existence.

If you do not agree with these conclusions, you may request Appeals Office consideration. To do this, you must submit to the District Director within 30 days from the date of this letter, a statement of facts, law, and arguments, in duplicate, which will clearly set forth your position. You also must state whether you wish an Appeals Office conference. 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.

[redacted]

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

On final determination, copies of this letter will be forwarded to [illegible] State officials in accordance with section 6104(c) of the Internal [illegible] Code.

If we do not hear from you within the time specified, this [illegible] become our determination in the matter.

Very truly yours,

[redacted]

[illegible]

Enclosure:
Publication 892