

Internal Revenue Service

Department of the Treasury

District Director

[REDACTED]

Date: AUG 06 1990

Person to Contact:

Telephone Number:

Employer ID Number:

Accounting Period:

Internal Revenue Code  
Section:  
501(c)(6)

Legend: [REDACTED]

CERTIFIED MAIL RECEIPT REQUESTED

Dear Sir or Madam:

We have considered your application for recognition of exemption from Federal income tax as an organization described in section 501(c)(6) of the Internal Revenue Code. For the reasons stated below, we have concluded that you do not qualify for exemption under this section.

You were incorporated on a nonprofit basis under laws of the state of [REDACTED] on [REDACTED]. Your purpose as stated in part in your Articles of Incorporation is: to advance the effectiveness of electronics computing and data processing within the medical industry; to promote the free interchange of information concerning application development techniques and other information pertinent to such electronic computing and data processing. Membership in the organization is for users of [REDACTED] products for medical information handling.

In your exemption application, documents and correspondence submitted during the application process, you indicated that you provide free exchange of information between users of the [REDACTED] medical information system. Meetings are held to exchange information of mutual interests to optimize system capabilities to deliver improved quality of care to patients.

Your organization consists of over [REDACTED] member organizations, all utilizing [REDACTED] software. Meetings are planned and conducted by the local member hosting organization and the [REDACTED] Board of Directors. The meetings are individual forums and focal points of information and ideas to deal with changes in health care information processing.

[REDACTED]

You receive income from membership dues and convention registration fees. Presently membership dues are [REDACTED] for initial membership and annual dues are [REDACTED].

Section 501(c)(6) of the Code provides for the exemption from Federal income tax of business leagues not organized for profit, 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 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 common interest. Its activities should be directed towards the improvement of business conditions in one or more lines of business as distinguished from the performance of particular services for individual persons.

Revenue Ruling 83-164, 1983-2 C.B. 95 denied exemption to an organization whose members represented diversified businesses that own, rent, or lease computers produced by a single computer manufacturer.

The Service position was upheld in the case of National Muffler Dealers Association v. U.S., 440 U.S. 472 (1979). The court held that an association of a particular brand name of muffler dealers does not qualify for exemption because the association is not engaged in the improvement of business conditions of a line of business.

Based on the information provided with your application, we conclude that by providing free exchange of information between users of [REDACTED], your organization is directing its activities towards the improvement of business conditions in only segments of the various lines of business to which your members belong. Even though the general public can attend your meetings, they receive no benefits from the meetings if they do not use [REDACTED]. Your organization helps to provide a competitive advantage for [REDACTED] and to its customers. Thus, your activities are not directed towards the improvement of business conditions in one or more lines of business within the meaning of section 501(c)(6) of the Code.

Accordingly, based on all the facts and circumstances, we conclude that you do not qualify for recognition of exemption from Federal income tax under section 501(c)(6) of the Code or any other section of 501(a). You are, therefore, required to file Federal income tax returns.

If you do not agree with our proposed adverse ruling we recommend that you request a conference with a member of the Regional Director of Appeals Staff. Your request for a conference should include a written appeal signed by an authorized officer giving the facts, law and any other pertinent information to support your position as explained in the enclosed Publication 892. If you are to be

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represented by someone who is not one of your authorized officers, he/she will need to file a power of attorney or tax information authorization and be qualified to practice before the Internal Revenue Service as provided in Treasury Department Circular No. 230. The conference may be held at the Regional Office or, if you request, at any mutually convenient District Office.

If we have not received an appeal within 30 days, this will become our final determination letter. Your failure to exercise your appeal rights will be considered by the Internal Revenue Service as a failure to exhaust your available administrative remedies.

Sincerely,

[REDACTED]

District Director

Enclosure:  
Publication 892