

MAY 24 1982

Dear Applicant:

We have considered your application for recognition of exemption from Federal income tax under section 501(c)(4) of the Internal Revenue Code of 1954.

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

Your purposes as stated, in part, in your Articles of Incorporation, are: "to allow its members to buy high quality, nutritional food and other products from wholesale distributors that cater to food clubs at wholesale cost."

Your Bylaws state that membership is allowed anyone who attends each food-ordering meeting, either personally or by proxy, to submit an order, and pays an ordering fee if called for. A proxy is anyone who has agreed, either verbally or in writing, to submit a member's order. Ordering fees may be required of each member to establish a sufficient cushion in the bank account to accommodate price changes in the orders. Food ordering meetings are generally held every four to eight weeks. The orders are written and submitted to the distributors by volunteers.

Section 501(c)(4) of the Internal Revenue Code provides for the exemption from Federal income tax of organizations not organized for profit, but operated exclusively for the promotion of social welfare.

Section 1.501(c)(4)-1(a)(2)(i) of the Income Tax Regulations provides that an organization is operated exclusively for the promotion of social welfare if it is primarily engaged in promoting, in some way, the common good and general welfare of the people of the community. An organization coming within the scope of this section is one that is operated to bring about civic betterments and social improvements.

CODE	INITIATOR	REVIEWER	REVIEWER	REVIEWER	REVIEWER	REVIEWER	REVIEWER
SUB- PAGE	[redacted]						
DATE	[redacted]						

Revenue Ruling 73-349 held that an organization formed to purchase groceries for its membership at the lowest possible prices on a cooperative basis is not exempt from tax as a social welfare organization under section 501(c)(4) of the Code. The ruling states that the groceries cooperative is a private cooperative enterprise for the economic benefit or convenience of the members with only an incidental benefit, if any, to the community as a whole.

Your case is similar to the aforementioned revenue ruling case. You are operated primarily for the private benefit of your members and any benefits to the community are not sufficient to meet the requirements of the regulations that the organization be operated primarily for the common good and general welfare of the people of the community.

Accordingly, it is held that you are not entitled to recognition of exemption from Federal income tax under section 501(c)(4) of the Code. You are required to file Federal income tax returns on Form 1120 for each year you have been in existence.

If you accept our findings, you do not need to take further action.

If you do not accept our findings, we recommend that you request a conference with the Office of Regional Director 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 our Regional office or, if you request, at any mutually convenient District office.

If we do not hear from you within 30 days from the date of this letter, this ruling will become final. If you have any questions, please contact the person whose name and telephone number are shown above.

Sincerely yours,

Acting District Director

Enclosure: Publication 892