

APR 22 1951

Dear Applicant:

We have considered your application for recognition of exemption from Federal income tax under section 501(c)(6) of the Internal Revenue Code of 1954.

The information discloses that you were incorporated under the Cooperative Corporation Act of the State of [redacted] on [redacted].

The purpose of your organization, according to your Articles of Incorporation, is to present quality art by professional artists. Your activities include presenting the work of artist-members to the general public for display and sale. Also offered to the public are appraisal and restoration services. There are periodic openings of new work by selected artists.

There are three classes of members: Artist members, patron members, and sponsors. Artist members are practicing professional artists and must be elected by a majority vote. Member patrons shall be those individuals in the community who support the organizations purposes, actively participate in gallery operations, pay dues, and are approved for membership by the Board of Directors. Sponsors are those who make financial contributions and contribute time to the gallery.

Each artist member shall receive [redacted] % of the purchase price of all sales and the gallery retains [redacted] %. Purchase price shall be figured as posted price less member or sponsor discount where applicable. Members receive a discount on all art work purchased at the gallery. The percent of discount is set by the Board of Directors. Sponsors may also receive a discount, but it is not necessarily the same percentage as that of the members.

Section 501(c)(6) of the Code provides for the exemption from Federal income tax of nonprofit business leagues, chambers of commerce, real estate boards, or boards of trade, not organized for profit and no part

CODE	INITIATOR	REVIEWER	REVIEWER	REVIEWER	REVIEWER	REVIEWER	REVIEWER
SUB-NAME							
DATE							

DEPARTMENT OF THE TREASURY—INTERNAL REVENUE SERVICE CORRESPONDENCE APPROVAL AND CLEARANCE

FORM 1937-A (9-74)

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of the net earning 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 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.

Accordingly, it is held that because your organization:

- (1) Inures to the benefit of private shareholders or individuals, as precluded by section 501(c)(6) of the Code;
- (2) Directs its activities towards performing particular services for individual persons as distinguished from the improvement of business conditions, precluded by Income Tax Regulations 1.501(c)(6)-1; and,
- (3) Carries on a regular business of a kind ordinarily carried on for profit, even though it is conducted on a cooperative basis, precluded by the above cited Income Tax Regulations,

you are not entitled to exemption from Federal income tax. You are, therefore, required to file Federal income tax returns on Form 1120.

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.

[REDACTED]

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,

[REDACTED]
District Director

Enclosure:
Publication No. 892