[redacted]

[redacted]

JUL 11 1988

Dear Sir or Madam:

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 [redacted], under the [redacted] Non-Profit Corporation Act.

Your purposes as stated in your amended Articles of Incorporation are:

> "...said corporation is organized exclusively to associate persons having a common interest and to promote common business interests within the meaning of Section 501(c)(6) of the Internal Revenue Code. It is not organized for profit. No part of its net earnings shall inure to the benefit of any private shareholders or individual. Its purpose will not be to engage in a regular business of a kind ordinarily carried on for profit even if the business is operated on a cooperative basis or produces only sufficient income to be self sustaining."

Your objects as stated in the By-Laws are:

> "(1) to institute and maintain a method of collecting, recording and exchanging business information for and between its members; (2) to encourage local and foreign trade expansion for the display, sale and/or publicity of the property, goods or services handled or represented by its members; (3) to create and encourage cooperative business methods so as to better or increase the efficiency and service of the business by its members; (4) to develop and carry on such activities as shall be found best to promote the reciprocal welfare of its members and effect the purposes for which the organization is formed; (5) to encourage business and professional development within the community as a whole; and (6) to expose the principles of free enterprise and competition."

	Initiator	Reviewer	Reviewer	Reviewer	Reviewer	Reviewer	Reviewer
Code		[redacted]					
Surname		[redacted]					
Date		7-11-88					

[redacted]

In your application you state that by meeting once a week and exchanging ideas, you seek to improve the business climate of the [redacted] area. The weekly business meetings are your only activity.

Your By-Laws state in Article IV that you have three classes of membership which are (1) Regular-Sole proprietorships, partnerships, corporations, limited partnerships and associations of good character and outstanding business and professional reputation. (2) Associate - Associate representation permits an additional firm representative — an executive with policy-making authority in the firm — to attend meetings and participate in the affairs of the association. (3) Honorary-A retired representative who has represented his or her firm for at least five years, and who desires to remain active in the association.

Each regular member represents a different business occupation. The Membership committee makes specific written determinations that the activities, services and products of the proposed member will not duplicate or intrude upon those of any existing member. You presently have [redacted] regular members.

Your income is from membership dues & fines.

Section 501(c) of the Code describes certain organizations exempt from Federal income tax under section 501(a) and reads, in part, as follows:

> "(6) Business leagues, chambers of commerce, real estate boards, 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."

Section 1.501(c)(6)-1 of the regulations provides as follows:

> "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. ***"

Revenue Ruling 59-391, 1959-2 C.B. 151 describes an organization composed of individuals, firms, associations and corporations each representing a different trade, business, occupation, or profession. The organization was created for the purpose of exchanging information on business prospects and has no common business interest other than a desire to increase sales of members. The revenue ruling concludes that the organization is not entitled to exemption from Federal income tax under section 501(c)(6) of the Code, because the members do not have a common business interest other than a mutual desire to

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increase the sales of their individual businesses. The activities were not considered to be directed toward the improvement of business conditions of one or more lines of business but rather to promote the private business interests of its members. The revenue ruling goes on to state that the diversity of interests can not be explained away by a comparison with the business interests of the members of a local board of trade or chambers of commerce. Such organizations do not limit their membership in the manner employed in the instant case.

Your organization is like the organization described in Revenue Ruling 59-391, because your membership is comprised of proprietorships, partnerships, corporations, limited partnerships, and associations that have no common business interest other than improving the business climate in the [redacted] area. You have limited your membership to persons that will not duplicate or intrude upon the business activities, services and products of any existing member.

On the basis of the information submitted, we conclude that you are not exempt from Federal income tax under section 501(c)(6). Therefore, you should file Federal income tax returns on Form 1120.

If you agree with these conclusions or do not wish to file a written protest, please sign and return Form 6018 in the enclosed self-addressed envelope as soon as possible.

If you do not agree with these conclusions, you may, within 30 days from the date of this letter, file in duplicate a brief of the facts, law, and argument that clearly sets forth your position. If you desire an oral discussion of the issue, please indicate this in your protest. The enclosed Publication 892 gives instructions for filing a protest.

If you do not file a protest with this office within 30 days of the date of this report or letter, this proposed determination will become final.

If you have any further questions, please contact the person whose name and telephone number are shown at the beginning of this letter.

Sincerely,

[redacted]

District Director

Enclosures:
Envelope
Publication 892
Form 6018