

Person to Contact: [REDACTED]

Telephone Number: [REDACTED]

Refer Reply to: [REDACTED]

Date: AUG 06 1985

CERTIFIED

Dear Applicant:

We have considered your application for recognition of exemption from Federal Income Tax under Section 501(c)(5) of the Internal Revenue Code.

You were incorporated on [REDACTED] under the general not for profit laws of the State of [REDACTED] for the following purposes: "To administer and operate an organization on a co-operative basis producing or furnishing goods, services or facilities primarily for the benefit of its members who are consumers of such goods, services or facilities. To provide food and non-food items to members at the most competitive prices..."

Your activities consist of purchasing food or non-food items for your members' benefit. Your organization makes purchases in bulk, then sells them to your members based upon the market cost of the items purchased plus any freight cost. Freight costs may range from [REDACTED]% to [REDACTED]% of the market cost.

Membership in your organization is open to anyone who pays the \$[REDACTED] deposit which represents the purchase level of each member.

The deposit is returned to the member upon termination of membership.

Your application states that upon your dissolution of the corporation, membership fees will be returned without interest, capital interest will be distributed 50% to the president, and the remaining 50% to be equally distributed among the board of directors.

The Income Tax Regulations, Section 1.501(c)(5), describe organizations contemplated by Section 501(c)(5) of the Code as those organizations which have no net earnings inuring to the benefit of any member and have as their objects the betterment of the conditions of those engaged in such pursuits, the improvement of the grade of their products and the development of a higher degree of efficiency in their respective occupations.

Code	Initiator	Reviewer	Reviewer	Reviewer	Reviewer	Reviewer	Reviewer
Sumame	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Date	7/24/86	7/25/86	8/1/86	8-4-86	8/4/86		

Agricultural and horticultural organizations are exempt as organizations described in Section 501(c)(5) if no part of their net earnings inures to the benefit of any member and if their objectives are the betterment of the conditions of members, the improvement of the grade of their products and the development of higher efficiency. Agricultural organizations are those connected with raising livestock, forestry and raising of crops, the cultivation of useful or ornamental plants and similar pursuits.

It is the Service's position that the qualifying character of a "labor organization", as the term is used in Section 501(c)(5), is that it has as its principal purpose the representation of employees in such matters as wages, hours of labor, working conditions and economic benefits. Since you do not engage in such activities, you are not a "labor organization" for purposes of this consideration and do not qualify for exemption as an organization described in Section 501(c)(5) of the 1954 Code.

Examination of your application reveals that your organization's primary purpose and activity is providing services for the benefit of your members who are neither engaged in agricultural or horticultural pursuits or bettering the conditions of those engaged in union or labor activities. Therefore, you cannot be considered exempt from tax under Section 501(c)(5) of the Code.

In addition, you cannot be considered exempt under any section of the Code because you were formed for the primary interests of your members and board of directors as opposed to promoting the general welfare of the community as a whole.

You are required to file Income Tax Returns, Form 1120, annually, with your District Director.

If you do not agree with these conclusions, you may within 30 days from the date of this letter, file a brief of the facts, law and arguments (in duplicate) which clearly sets forth your position. In the event you desire an oral discussion of the issues, you should so indicate in your submission. A conference will be arranged in the Regional Office after you have submitted your brief to the Chicago District Office and we have had an opportunity to consider the brief and it appears that the conclusions reached are still unfavorable to you. 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. We have enclosed Publication 892, Exempt Organization Appeal Procedures for Adverse Determinations, which explains in detail your rights and procedures.

Please keep this determination letter in your permanent records.

If you agree with this determination please sign and return the enclosed Form 6013.

Sincerely,

District Director

Enclosures:
Form 6013
Publication 892