

Person to Contact [REDACTED]

Telephone Number: [REDACTED]

Refer Reply to: [REDACTED]

Date: JUN 6 1986

CERTIFIED

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.

The information submitted discloses that you were incorporated on [REDACTED] under the not for profit corporation laws of the State of [REDACTED].

As stated in your Articles of Incorporation you are organized for the "administration and operation of 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.

The available information discloses that you are also a shareholder and member of the [REDACTED]. As a shareholder you are able to purchase at group rates from different suppliers. In return, the shareholders and members of your organization will also be able to purchase their products from you at group rates. Products bought and sold includes appliances, electronic products and furniture. Any rebates issued to you will also be issued to your shareholders. Shareholders of your organization are for-profit retailers. Qualifications necessary for membership are the paying of initiation and monthly dues, and to be a seller of the products previously mentioned.

Section 501(c)(6) of the Internal Revenue Code provides for exemption of "business leagues, chambers of commerce, real estate boards, boards of trade, or professional football leagues (whether or not administering a pension fund for football players), 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 Income Tax Regulations reads as follows:

Code	Initiator	Reviewer	Reviewer	Reviewer	Reviewer	Reviewer	Reviewer
Surname	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Date	5/16/86	5/16/86	6/3/86	6/4/86	6/4/86		

BUSINESS LEAGUES, CHAMBERS OF COMMERCE, REAL ESTATE BOARDS AND BOARDS OF TRADE. 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. An association engaged in furnishing information to prospective investors, to enable them to make sound investments, is not a business league, since its activities do not further any common business interest, even though all of its income is devoted to the purpose stated. A stock or commodity exchange is not a business league, a chamber of commerce, or a board of trade within the meaning of section 501(c)(6) and is not exempt from tax. Organizations otherwise exempt from tax under this section are taxable upon their unrelated business taxable income. See sections 511 to 515, inclusive and the regulations thereunder.

Revenue Ruling 66-316, 1966-2 C.B. 216 provides that an organization formed to promote the interest of a particular retail trade which advises its members in the operation of their individual businesses and sells supplies and equipment to them is not exempt from Federal income tax under Section 501(c)(6).

Your organization is closely related to the one in the above revenue ruling. We realize that you do not provide advice to your shareholders/members. Nevertheless, you sell products to them at group discount rates similar to the organization in the above Revenue Ruling.

We have concluded that you do not qualify for exemption from Federal income tax as an organization described in Section 501(c)(6) of the Internal Revenue Code because your activities constitute the performance of particular services for members. Accordingly, you are required to file Federal income tax returns on Form 990, annually with your District Director.

If you do not agree with these conclusions, you may within thirty 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 in practice must be met. We have enclosed Publication 907, Exempt Organization Appeal Procedures for Adverse Determinations, which explains in detail your rights and procedures.

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[REDACTED]

If you agree with this determination, please sign and return the enclosed Form 6018.

Sincerely yours,

[REDACTED]
District Director

Enclosures:
Form 6018
Pub. 892