

Internal Revenue Service

Department of the Treasury

Date: Oct 17 1989

Key District:

Year(s):

Person to Contact:

Contact Telephone Number:

(612) 290-3867

Gentlemen:

We considered your appeal of the adverse action proposed by your key District Director. The paragraph(s) checked below indicate(s) our decision.

☒ Your exemption from Federal income tax under section 501(c)(6) of the Internal Revenue Code is:

☐ confirmed.

☐ modified. A new determination letter is enclosed.

☒ denied or ☐ revoked. You are required to file Federal income tax returns on Form 1120 for the above years. You should file these returns with your key District Director, EP/EO Division, within 30 days from the date of this letter, unless a request for extension of time is granted.

☐ You are not a private foundation because you are described in Code section(s) _____.

☐ You are an operating foundation as described in code section 4942(j)(3).

☐ You have no liability for excise taxes under IRC _____ for the above years.

☐ Your liability for excise taxes under IRC _____ for the above year(s) was properly reported on your return(s).

☐ There is no change to your unrelated business income tax liability as reported for the above years.

☐ Your Form(s) 990-T for the above years are accepted as filed.

☒ We note that you were incorporated under the _____ Non-Profit Corporation Act, _____ on _____.

You may direct questions about the decision to the appeals officer whose name and telephone number are shown above.

Sincerely yours,

cc: _____

Acting Associate Chief
St. Paul Appeals Office

Letter 1370(RO) (1-80)

Person to contact: [REDACTED]
Telephone Number: [REDACTED]
Letter Reply to:
Internal Revenue Service
[REDACTED]

Date: MAY - 3 1989

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 as [REDACTED] under the for profit corporation laws of the State of [REDACTED].

You state in your Articles of Incorporation that your purpose is to engage in the business of contracting with doctors of medicine, other licensed health care professionals, licensed health care facilities, and other legally authorized health care service providers to provide medical and health care services to other persons, corporations and associations or other legal entities which contract for such services through the corporation.

According to your Articles of Incorporation you are authorized to issue [REDACTED] shares of common stock. Your by-laws also authorize you to issue stock to pay dividends.

According to your Application Form 1024, you are a service organization composed of physicians and health care providers. You engage in the delivery of health services through written agreements negotiated with health maintenance organizations (HMOs). Your primary activity is to serve as a bargaining agent for your members in dealing with HMOs, and to perform the administrative and clerical services required by the agreements negotiated with the HMOs.

Your source of income is membership dues of \$ [redacted] per member and contracted fees from medical service plans.

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 inalienable or individual."

Section 1.501(c)(6)-1 of Income Tax Regulations reads as follows:

"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 more 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."

Rev. Rul. 66-11, 1966-2 C.B. 71, provides that an individual practice association that provides health services through written agreements with health maintenance organizations does not qualify for exemption as a business league under Section 501(c)(6).

You do not qualify for Exempt status under Section 501(c)(6) because your primary activity is rendering particular services for your members as distinguished from the improvement of business conditions in the medical profession and public health and generally.

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 issue, 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 Revocable Determinations, which explains in detail your rights and procedures.

If we do not hear from you within 30 days from the date of this letter this determination will become final.

You are required to file Federal Income Tax Returns.

Please keep this determination letter in your permanent records.

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

Very truly yours,


District Director

Enclosures:
Publication 817
Form 6018