

Internal Revenue Service

District
Director

Department of the Treasury

P.O. Box 2508
Cincinnati, OH 45201

Person to Contact:

Telephone Number:

Refer Reply to:
EP/ED

Date:

JUL 11 1986

Dear Sir or madam:

We have considered your application for recognition of exemption from Federal income tax under the provisions of section 501(c)(3) of the Internal Revenue Code of 1954 and its applicable Income Tax Regulations. Based on the available information, we have determined that you do not qualify for the reasons set forth on Enclosure I.

Consideration is given to whether you qualify for exemption under other subsections of section 501(c) of the Code and we have concluded that you do not.

As your organization has not established exemption from Federal income tax, it will be necessary for you to file an annual income tax return on Form 1120.

If you are in agreement with our proposed denial, please sign and return one copy of the enclosed Form 4018, Consent to Proposed Adverse Action.

You have the right to protest this proposed determination if you believe that it is incorrect. To protest, you should submit a written appeal giving the facts, law and other information to support your position as explained in the enclosed Publication 892 (Rev. 7-83), "Exempt Organizations Appeal Procedures for Unagreed Issues". The appeal must be submitted within 30 days from the date of this letter and must be signed by one of your principal officers. You may request a hearing with a member of the office of the Regional Director of Appeals when you file your appeal. If a hearing is requested, you will be contacted to arrange a date for it. The hearing may be held at the Regional Office, or, if you request, at any mutually convenient District Office. If you are to be represented by someone who is not one of your principal officers, he or she must file a proper power of attorney and otherwise qualify under our Conference and Practice Requirements as set forth in Section 601.502 of the Statement of Procedural Rules. See Treasury Department Circular No. 230.

[REDACTED]

If we do not hear from you within the time specified, this will become our final determination.

Sincerely yours,

[REDACTED]

[REDACTED]

District Director

Enclosures: 3

Enclosure T

The information submitted discloses that you were incorporated on [REDACTED] as a non-profit corporation in the State of [REDACTED]. Article III of your charter of incorporation lists your purpose as follows:

The corporation is an association of bona-fide manufacturers' representatives and individual salesmen holding their memberships personally, who actively sell in the [REDACTED] area said organization being formed for the express purpose of promoting gift sales in the State of [REDACTED] and devoting its effort to the promotion of higher business standards and better business methods and encouragement of uniformity and cooperation by its individual members and those with whom they deal; further to establish and maintain the overall integrity of the gift sales market within the State of [REDACTED]; further to encourage the growth of the entire gift sales market within the State of [REDACTED].

Your letter dated [REDACTED] states that your purpose is to provide [REDACTED] that retail stores in the State of [REDACTED] may visit, find new products, exchange ideas, learn about their own businesses and how to make them better. You promote a two to five day period once a month for retailers to visit your building. You notify approximately [REDACTED] stores each month of your show dates with your newspaper, [REDACTED]. Most of these [REDACTED] stores are located in [REDACTED] and represent the full gamut of the retail business. You also hold seminars in conjunction with some of your show dates that are open to all retailers who wish to attend. The seminars deal with topics such as accounting procedures, employee motivation, customer relations, merchandising and store display, store promotions, [REDACTED], shoplifting, freight companies, etc.

Article III of your by-laws states that the membership in your organization is limited to bona fide manufacturers' representatives and individual sales in selling merchandise in the china, glass, stationery, jewelry, decorative home accessories and allied gift lines, who actively represent said product by selling or proposing to sell to the Trade in all or part of the State of [REDACTED].

Your by-laws further state that you have four (4) classes of membership: that of Charter Lease Holding Member, that of Lease Holding Member, that of Associate Member and that of Honorary Member. A Charter Lease Holding Member is an approved [REDACTED] Lease Holding Member in good standing who holds a properly executed Lease Agreement beginning [REDACTED]. A Lease Holding Member is an individual who has qualified for and been elected to Lease Holding Membership.

Enclosure I (continued)

who pays all dues, rents and assessments when due, and who executed a Sub Lease Agreement for space in the building in which [redacted] holds a Master Lease Agreement. Said Sub Lease must be executed in Members lawful name or names. An Associate Member is an individual who has qualified for and been elected to Membership, and who pays all dues, fees and assessments when due. In order to gain and maintain Associate Membership Status, Associate Members must be and remain in the sponsorship of a Lease Holding Member. An Honorary Member is an individual engaged in the gift, decorative accessories and allied industries who, in the opinion of the Board of Directors, has contributed significantly to the general membership for approval as Honorary Members. Honorary Members shall not hold office. They may attend general membership meetings and may participate in any group activity sponsored by the Association. Honorary Members may not hold leases.

Information submitted with your application shows that you are the holder of a master lease agreement for the local wholesale building. You, in turn, sublet space to the Master Lease Holding Members and the Lease Holding Members. You now have [redacted] members who sublet space from you.

Section 501(c)(6) of the Code provides for the exemption from Federal income tax 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 the Regulations states that a business league is an association of persons having some common business interest, the purpose of which is to promote such common business 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.

Section 513(b) of the Code provides that qualified convention and trade show activities conducted by an organization described in section 501(c)(6) or section 501(c)(3) of the Code are not an unrelated trade or business. The term "qualified convention or trade show activity" includes any activity designed to attract persons to an industry show for the purpose of displaying industry products; to stimulate interest in, and demand for, industry products or services; or to educate persons engaged in the industry in the development of new products and services or new rules and regulations affecting the industry.

Enclosure 7 (continued)

If a qualified convention or trade show activity is not an unrelated business activity, it is a exempt activity of an organization described in section 501(c)(7) or section 501(c)(6) of the Code.

Rev. Rul. 55-274, 1955-1 C.B. 242, states that an organization which operates a trade show as its sole or principal activity primarily for the purpose of rendering particular services to individual persons is not entitled to exemption from Federal income tax as an organization described in section 501(c)(6) of the Code. In this revenue ruling, it was concluded that the activities of the instant organization substantially served the exhibitors and exhibitors as a convenience and economy in the conduct of their businesses. In conducting the show the organization provided direct advertising and publicity campaign for all exhibitors, eliminated substantial travel on the part of the exhibitors, and provided, primarily, selling opportunities for them, as well as opportunities for exhibitors to see all types of merchandise under one roof. Therefore, the organization was rendering particular services to individual persons distinguished from the improvement of business condition generally.

Rev. Rul. 57-219, 1957-2 C.B. 219, states that an organization described in section 501(c)(6) of the Code was not subject to unrelated business income tax from the conduct of an industry trade show which was conducted to promote and stimulate interest in and demand for the industry's products and services in general. In this situation, the trade show was not conducted to provide exhibitors a meet or facility for selling sales of their products or services to persons attending the show. Exhibitors were present to discuss problems and explain the products or services to viewers. The exhibitors were not present to sell or take orders for goods or services.

Based on the information submitted, we feel that your primary activity is the conduct of selling works, the purpose of which is to bring buyers and sellers together. This constitutes the performance of particular services for individuals rather than promoting the industry as a whole. Although you have other activities at the the selling works (i.e. seminars), these activities are merely incidental to the primary purpose which is the selling of products. In addition, section 513(b) of the Code would not be applicable because your primary purpose and primary activity is the conduct of a sales facility for your members and/or the customers of your members. Therefore, the selling works do not constitute a qualified convention or trade show.

Accordingly, it is our conclusion that you do not qualify for exemption from Federal income tax as an organization described in section 501(c)(6) of the Code.