



Department of the Treasury
Internal Revenue Service
P.O. Box 2508
Cincinnati, OH 45201

Release Number: 201750020
Release Date: 12/15/2017

Date: **SEPTEMBER 19, 2017**

Employer ID number:

Contact person/ID number:

Contact telephone number:

Form you must file:

Tax years:

UIL: 501.06-00, 501.06-01

Dear :

This letter is our final determination that you don't qualify for tax-exempt status under Section 501(c)(6) of the Internal Revenue Code (the Code). Recently, we sent you a proposed adverse determination in response to your application. The proposed adverse determination explained the facts, law, and basis for our conclusion, and it gave you 30 days to file a protest. Because we didn't receive a protest within the required 30 days, the proposed determination is now final.

You must file federal income tax returns for the tax years listed at the top of this letter using the required form (also listed at the top of this letter) within 30 days of this letter unless you request an extension of time to file.

We'll make this final adverse determination letter and the proposed adverse determination letter available for public inspection (as required under Section 6110 of the Code) after deleting certain identifying information. Please read the enclosed Notice 437, *Notice of Intention to Disclose*, and review the two attached letters that show our proposed deletions. If you disagree with our proposed deletions, follow the instructions in the Notice 437 on how to notify us. If you agree with our deletions, you don't need to take any further action.

If you have questions about this letter, you can contact the person listed at the top of this letter. If you have questions about your federal income tax status and responsibilities, call our customer service number at 1-800-829-1040 (TTY 1-800-829-4933 for deaf or hard of hearing) or customer service for businesses at 1-800-829-4933.

Sincerely,

Stephen A. Martin
Director, Exempt Organizations
Rulings and Agreements

Enclosures:

Notice 437

Redacted Letter 4034, *Proposed Adverse Determination under IRC Section 501(a) Other Than 501(c)(3)*

Redacted Letter 4040, *Final Adverse Determination under IRC Section 501(a) Other Than 501(c)(3) - No Protest*



Department of the Treasury
Internal Revenue Service
P.O. Box 2508
Cincinnati, OH 45201

Date: JULY 14, 2017

Employer ID number:

Contact person/ID number:

Contact telephone number:

Contact fax number:

Legend:

T = State

U = Date of formation

V = Brand

W = Company

UIL:

501.06-00

501.06-01

Dear :

We considered your application for recognition of exemption from federal income tax under Section 501(a) of the Internal Revenue Code (the Code). Based on the information provided, we determined that you don't qualify for exemption under Section 501(c)(6) of the Code. This letter explains the basis for our conclusion. Please keep it for your records.

Issues

Do you qualify for exemption under Section 501(c)(6) of the Code? No, for the reasons stated below.

Facts

You incorporated in the State of T on U. Your Articles of Incorporation state that your purpose is to advertise and promote the products and services of the dealers of a particular brand of vehicle, V. The V dealers are your members. Your Articles also state that your general purposes are:

- To foster and promote retail trade and commerce in connection with the products and services of your members, and to protect the same from unjust and unlawful exactions and impositions
- To foster and promote the interest of those persons, firms, and corporations engaged in the retailing of V vehicles in the Central T area
- To conduct and operate means and places of disseminating information relative to the use of motor vehicles and promote the sale of motor vehicles, and for such purposes to establish, conduct, and manage advertising and promotional campaigns, exhibitions, displays, tests, trials and demonstrations, and
- To promote the establishment and maintenance of a high standard of business ethics by your members and by all other automobile dealers, and to discourage the use of false or misleading advertising or any other business practice which may be detrimental to the public and the retail automobile industry.

Your Bylaws state that you have one class of members. Your members are limited to those persons, firms, and corporations actively engaged in the retailing of new V brand vehicles, who are duly authorized holders of sales and service agreements for W vehicles for the V brand. In order to be eligible to become a member, you must be doing business in or about Central T. Your application additionally states that your members must be

participating in W's local marketing program and contributing funds to the program at a rate established by the board.

According to your application for exemption, your sole purpose is to advertise and promote the products and services of V dealers in Central T, who are your members. Your members all have a common business interest of selling new and used V vehicles, parts and service. Your board members consist of representatives from your member dealerships.

Your application states that you are not operating for or conducting business intended to produce a profit of any kind, but only to further the common business interests of your members. Your activities are intended to improve the business conditions of the V dealers in Central T by promoting the common products and services offered, which will in turn enhance the business viability of each of your members.

You provided a transcript of one of your advertisements. The advertisement displays the awards V vehicles have won. It also mentions the current offers available to consumers when purchasing a V vehicle. At the end of the advertisement, it instructs the audience to visit the V dealers located in Central T.

Your members contribute funds on a monthly basis to cover your cost of doing business. Upon dissolution your remaining assets will be distributed to the members on a prorated basis.

Law

Section 501(c)(6) of the Code provides exemption from federal income tax for business leagues not organized for profit and no part of the net earnings of which inures to the benefit of any private shareholder or individual.

Treasury Regulation Section 1.501(c)(6)-1 defines a business league as an association having a common business interest, whose purpose is to promote the common business interest and not to engage in a regular business of a kind ordinarily carried on for profit. Its activities are directed to the improvement of business conditions of one or more lines of business rather than the performance of particular services for individual members.

Rev. Rul. 67-77, 1967-1 C.B. 138, provides that an association of dealers which sold a particular make of automobile and that engaged in financing general advertising campaigns to promote the sale of that make was not exempt because it performed particular services for its members rather than promoting a line of business; i.e., the automotive industry as a whole.

In National Muffler Dealers Association, Inc. v. United States, 440 U.S. 472 (1979), the court held that a trade organization that confines its membership to dealers franchised by a particular corporation and its activities to promoting the business interests of its members does not satisfy the "line of business" test of Treas. Reg. Section 1.501(c)(6)-1 and is not a business league under Section 501(c)(6) of the Code.

In National Prime Users Group, Inc. v. U.S., 667 F. Supp. 250 (D.C. Md. 1987), the Court held that an organization which served the needs of users of a specific brand of computers promoted only a segment of a line of business and was not exempt under Section 501(c)(6) of the Code. The court concluded that the existence of an organization whose activities center on the needs of users of one particular product is indeed a useful sales tool in persuading potential customers to buy that particular computer brand and the manufacturer of that computer brand gains a competitive advantage over other computer manufacturers through such an organization.

In Guide International Corporation v. U.S., 948 F.2d 360 (7th Cir. 1991), the Court concluded that an association of computer users did not qualify for exemption under Section 501(c)(6) of the Code because it benefited essentially users of IBM equipment. The court stated that the organization also served as an influential marketing tool for IBM because the conferences it held allowed IBM to showcase its products and services.

Application of law

You are not a business league as described in Section 501(c)(6) of the Code and Treas. Reg. Section 1.501(c)(6)-1 because your activities do not improve the business conditions of one or more lines of business; rather, you provide advertising services to your members.

You are nearly identical to the organization described in Rev. Rul. 67-77. Your advertising services further the business interests of your members. Your activities do not benefit the entire auto industry or improve the business conditions of the auto industry as a whole, precluding you from exemption under Section 501(c)(6) of the Code.

Like National Muffler Dealers Association, Inc., National Prime Users Group, Inc. and Guide International Corporation, your membership consists of dealers of V, a particular brand. V dealers only represent a segment of the industry and not an entire line of business. Therefore, you do not qualify from exemption under Section 501(c)(6) of the Code.

Conclusion

Your activities are not directed to the improvement of business conditions of one or more lines of business. You are performing services for your members, who are dealers of a particular brand of vehicle, by providing advertising on their behalf. Therefore, you do not qualify for exemption under Section 501(c)(6) of the Code.

If you don't agree

You have a right to file a protest if you don't agree with our proposed adverse determination. To do so, you must send a statement to us within 30 days of the date of this letter. The statement must include:

- Your name, address, employer identification number (EIN), and a daytime phone number
- A copy of this letter highlighting the findings you disagree with
- An explanation of why you disagree, including any supporting documents
- The law or authority, if any, you are relying on
- The signature of an officer, director, trustee, or other official who is authorized to sign for the organization, or your authorized representative
- One of the following declarations:

For an officer, director, trustee, or other official who is authorized to sign for the organization:

Under penalties of perjury, I declare that I examined this protest statement, including accompanying documents, and to the best of my knowledge and belief, the statement contains all relevant facts and such facts are true, correct, and complete.

For authorized representatives:

Under penalties of perjury, I declare that I prepared this protest statement, including accompanying documents, and to the best of my knowledge and belief, the statement contains all relevant facts and such facts are true, correct, and complete.

Your representative (attorney, certified public accountant, or other individual enrolled to practice before the IRS) must file a Form 2848, *Power of Attorney and Declaration of Representative*, with us if he or she hasn't already done so. You can find more information about representation in Publication 947, *Practice Before the IRS and Power of Attorney*.

We'll review your protest statement and decide if you provided a basis for us to reconsider our determination. If so, we'll continue to process your case considering the information you provided. If you haven't provided a basis for reconsideration, we'll forward your case to the Office of Appeals and notify you. You can find more information about the role of the Appeals Office in Publication 892, *How to Appeal an IRS Decision on Tax-Exempt Status*.

If you don't file a protest within 30 days, you can't seek a declaratory judgment in court at a later date because the law requires that you use the IRS administrative process first (Section 7428(b)(2) of the Code).

Where to send your protest

Please send your protest statement, Form 2848, if needed, and any supporting documents to the applicable address:

U.S. mail:

Internal Revenue Service
EO Determinations Quality Assurance
Room 7-008
P.O. Box 2508
Cincinnati, OH 45201

Street address for delivery service:

Internal Revenue Service
EO Determinations Quality Assurance
550 Main Street, Room 7-008
Cincinnati, OH 45202

You can also fax your statement and supporting documents to the fax number listed at the top of this letter. If you fax your statement, please contact the person listed at the top of this letter to confirm that he or she received it.

If you agree

If you agree with our proposed adverse determination, you don't need to do anything. If we don't hear from you within 30 days, we'll issue a final adverse determination letter. That letter will provide information on your income tax filing requirements.

You can find all forms and publications mentioned in this letter on our website at www.irs.gov/formspubs. If you have questions, you can contact the person listed at the top of this letter.

Sincerely,

Stephen A. Martin
Director, Exempt Organizations
Rulings and Agreements

Enclosure:
Publication 892