



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

Number: **201811016**
Release Date: 3/16/2018

Date:
December 22, 2017
Employer ID number:

Contact person/ID number:

Contact telephone number:

Form you must file:

Tax years:

UIL: 501.06-00, 501.06-01, 513.02-00

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:

October 18, 2017

Employer ID number:

Contact person/ID number:

Contact telephone number:

Contact fax number:

Legend:

X = State Highway

Y = Counties

B = Date

UIL:

501.06-00

501.06-01

513.02-00

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 were formed as a trade association of small businesses located along a scenic state highway. Most of the businesses are galleries selling locally and regionally created arts and crafts. Other businesses include restaurants, lodging providers and real estate brokers. You had been cooperating informally for several years and were only recently incorporated on B.

Your Bylaws state you are organized to develop, evaluate and promote ideas, activities and programs which increase commerce and promote economic development, tourism and preservation of the historic and natural resources of the X corridor in Y counties.

Your primary activity is the advertisement of member businesses. Group advertising in the form of rack cards consumes about half of your expenditures for a two year cycle. Print advertising in local and area newspapers and magazines and internet advertising make up most of the rest of your expenditures. Your financials do not reflect joint advertising expenditures by your members (ads paid for individually by the members, but at a reduced rate because they advertise as a group).

You also act as the contact and spokesperson for the members within the county governments, Chambers of Commerce and arts organizations in the area.

Law

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

Treasury Regulation Section 1.501(c)(6)-1 states that 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. 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 individuals.

Rev. Rul. 59-391, 1959 2 C.B. 151, held that an organization which restricts its membership to individuals, firms, associations, and corporations, each representing a different trade, business, occupation, or profession and which is organized for the purpose of exchanging information on business prospects, has no common business interest other than a mutual desire to increase their individual sales. The activities are not directed to the improvement of one or more lines of business, but rather to the promotion of the private interests of its members and is not exempt under section 501(c)(6) of the Code.

Rev. Rul. 65-14, 1965 1 C.B. 236 states an organization formed to promote the tourist industry in its area, whose principal activity is publishing a tourist guidebook and other advertising matter containing listings of the names of individual members, is performing particular services for its members and is accordingly not exempt under section 501(c)(6) of the Code.

Rev. Rul. 73-411 states that a shopping center merchants' association whose membership is restricted to and required of the tenants of a one-owner shopping center and their common lessor, and whose activities are directed to promoting the general business interests of its members, does not qualify as a business league or chamber of commerce under section 501(c)(6) of the Code.

Application of law

You are not described in section 501(c)(6) of the Code and Treas. Reg. Section 1.501(c)(6)-1 because the facts show your activities are not directed to the improvement of business conditions of one or more lines of business but to the performance of particular services for individual businesses.

You are like the organization described in Rev. Rul. 65-14 in that your primary activity is providing particular services for your members by advertising their businesses. You are like the organization in Rev. Rul. 59-391, in that your members have no common business interest other than a mutual desire to increase their individual sales, and your activities are not directed to the improvement of one or more lines of business, but rather to the promotion of the private interests of your members. You are not a chamber of commerce because, like the organization in Rev. Rul. 73-411, your activities are directed to promoting the general business interests of your members exclusively.

Your position

Your position is that no part of any net earnings will inure to the benefit of any private shareholder or individual and you are not organized for profit or to engage in an activity ordinarily carried on for profit. You are primarily engaged in the activities that are the basis for the requested exemption. You also state that you are a business league of persons having a common business interest, i.e., the promotion of tourism and trade along X

corridor in Y. Your purpose is to promote that common interest. It is not engaged in regular business of a kind ordinarily carried on for profit. All current members are retail art and craft businesses, lodging establishments, restaurants, fishing lodges, and real estate brokers located along the scenic highway. Other businesses located on the scenic highway which are not currently members also benefit from your activities and are eligible to join. You work to promote a favorable environment for tourism by producing route maps of the highway and cooperating with local governments and the Department of Transportation to keep the highway clean and beautiful. You provide a point of contact between your members and state, county, and municipal officials, the County Chambers of Commerce and other organizations and churches located along the route. You also link up these scattered businesses and others including the residents and artists in the region.

Our response to your position

Your primary activity is to conduct an advertising campaign to attract customers to your individual businesses and therefore you are not promoting one or more lines of business but providing particular services for your members.

Conclusion

You are not an association of persons promoting one or more lines of business and your activities constitute specific services to members. Accordingly, you do not qualify for exemption as an organization described in 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