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TAX EXEMPT AND  
GOVERNMENT ENTITIES  
DIVISION

DEPARTMENT OF THE TREASURY  
INTERNAL REVENUE SERVICE  
TE/GE: EO Examination  
625 Fulton Street, Room 503  
Brooklyn, NY 11201

JAN 07 2004

U/L: 501.00-00

Taxpayer Identification Number:

Person to Contact:

Identification Number:

Contact Telephone Number:

Dear Sir or Madam:

Pursuant to our records you were granted exemption from Federal income tax under section 501(c)(7) of the Internal Revenue Code in December,

A review of your records disclosed that your primary activity is operating a golf course and clubhouse that is open to the general public. You solicit participation from the general public through advertisements in the local newspaper.

Your gross receipts consisted of bar sales, annual membership dues, green fees, food sales, rental of cart shed, cart rental, tournament fees, and pro shop sales. All green fees were paid by non-members. Green fees represented percent of your total gross receipts for the year ended December 31, and percent of your total gross receipts for the year ended December 31,

Section 501(c)(7) of the Internal Revenue Code provides for the exemption from Federal Income Tax of Clubs organized and operated exclusively for pleasure, recreation, and other nonprofitable purposes provided no part of the net earnings inures to the benefit of any private shareholder.

Section 1.501(c)(7)-1 of the Income Tax Regulations provides that, in general, the exemption extends to social and recreational clubs supported solely by membership fees, dues and assessments. However, a club which engages in business, such as making its social and recreational facilities available to the general public, is not organized and operated exclusively for pleasure, recreation, and other non-profitable purposes, and is not exempt under section 501(a).

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Revenue Procedure 71-17, as amended by public Law 94-568, provides a certain gross receipts safe harbor, i.e. Social Clubs may receive up to 35% of their total gross receipts, including investment income, from sources outside their membership without jeopardizing their tax exempt status. Within this 35% limit, no more than 15% of a club's gross receipts may be derived from nonmember use of a club's facilities and/or services. If these standards are exceeded, a Social Club will not qualify for exemption pursuant to IRC 501(c)(7).

Revenue Ruling 69-219, 1969-1, C.B. 153, states that a social club that regularly holds its golf course open to the general public, charging established greens fees, that are used for maintenance and improvement of the club's facilities, is not exempt under IRC 501(c)(7).

Based on your activities and financial records, and like the golf club in Revenue Ruling 69-219, you do not qualify for exemption from Federal Income Tax under section 501(c)(7) of the Code since: (1) you are engaged in a business with the general public by regularly holding your golf course open to the public for use upon payment of established green fees; (2) total non-member income exceeds the 15% limit as provided in Revenue Procedures 71-17, as amended by Public Law 94-568; and (3) the income from these source is inuring to the benefit of your members because it is used for the maintenance and improvement of club facilities.

Accordingly, your exemption under section 501(c)(7) of the Internal Revenue Code is revoked effective January 1,

We have determined that you fail to qualify for exempt status under any other subsection of IRC 501(c).

You are required to file Federal income tax returns on Form 1120. These returns should be filed with the appropriate Service Center for all years beginning

This is a final adverse determination of your exempt status under section 501(c)(7) of the Internal Revenue Code.

You have the right to contact the office of the Taxpayer Advocate. However, you should first contact the person whose name and telephone number are shown above since this person can access your tax information and can help get you answers. You can call 1-877-777-4778 and ask for Taxpayer Advocate assistance. Or you can contact the Taxpayer Advocate from the site where the tax deficiency was determined by calling 1-605-226-7248 or writing to: Internal Revenue Service,

Taxpayer Advocate Assistance cannot be used as a substitute for established IRS procedures, formal appeals processes, etc. The Taxpayer Advocate is not able to reverse legal or technically correct tax determinations, nor extend the time fixed by law that you have to file a petition in the United States Tax Court. The Taxpayer Advocate can, however, see that a tax matter that may not have been resolved through normal channels gets prompt and proper handling.

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If you have questions, please contact the person whose name and telephone number are shown in the heading of this letter.

Thank you for your cooperation.

Sincerely yours,

A handwritten signature in cursive script, appearing to read "R. C. Johnson".

R. C. Johnson  
Director, EO Examinations