

Internal Revenue Service
P.O. Box 1123, Central Station
St. Louis, MO 63189

JUN 16 1981

Dear Applicant: APR 28 1982

ltr requested

We have considered your application for exemption from Federal income tax as an organization described in Section 501(c)(7) of the Internal Revenue Code of 1954 and the information submitted in support thereof.

The information submitted indicates that you were incorporated on [REDACTED] under the laws of the State of [REDACTED]. Article [REDACTED] of your Articles of Incorporation states that the purposes for which you were formed are "To own, operate, and maintain for civic and charitable purposes, for the benefit of members of the corporation, and to reduce the consumption of energy, a motor vehicle to transport members of the corporation to and from their place of employment."

Your sole activity consists of operating a van to transport members to and from their mutual place of employment thereby eliminating the necessity of each member having to provide for their own transportation. Your membership consists of approximately [REDACTED] individuals who work for a common employer located approximately [REDACTED] to [REDACTED] miles from their homes. The van makes regularly scheduled trips to and from their place of employment on a daily basis. Your current membership fee is \$[REDACTED] to join and \$[REDACTED] per month dues.

Your revenue is derived exclusively from membership dues and fees. Your expenditures are primarily for gasoline, loan payments on the van, insurance, and normal vehicle repairs and maintenance expenses.

Section 501(a) of the Internal Revenue Code of 1954 provides for the exemption of certain organizations described in subsection 501(c).

"(7) Clubs organized for pleasure, recreation, and other non-profitable purposes, substantially all of the activities of which are for such purposes and no part of the net earnings of which inures to the benefit of any private shareholder."

The exemption provided under Section 501(c)(7) of the Code applies only to social clubs organized and operated substantially for pleasure, recreation, and other non profit purposes related to social or recreational purposes.

These social or recreational purposes must be the primary reason for the club's existence. The presence of personal contact, commingling, and fellowship among members must be an integral part of the club's activities.

In Revenue Ruling 69-635, 1969-2 C.B. 126, exemption was denied to an automobile club whose principal purpose was rendering automobile services to members. The facts of the case showed that the organization did not carry on any significant social activities and there was not any significant commingling among its members. The rendering of automobile services was not considered to be in the nature of pleasure or recreation within the meaning of the statute.

Similarly, in Revenue Ruling 70-32, 1970-1 C.B. 132, exemption was denied to a flying club whose purpose was to provide economical flying facilities for its members. The organization did not provide an organized social or recreational program and there was little commingling among members for social or recreational purposes.

Based upon the information submitted, it appears you were organized and are operated primarily to provide low cost transportation for members to and from their work. You provide no social or recreational program or activities. Any personal contact or commingling among members during the journey to or from their work is merely incidental to the primary purpose and activity of providing transportation services for the economic benefit of members.

Therefore, it is necessary to conclude that you are not organized or operated substantially for pleasure, recreation, or similar non profit purposes and are not entitled to exemption under Section 501(c)(7) of the Code.

You are required to file Federal income tax returns annually on Form 1120.

If you do not agree with these conclusions, you may, within 30 days from the date of this proposed adverse determination letter, appeal to the Regional Office through this Key District Office. Your appeal should contain the information described under Regional Office Appeal in the enclosed Publication 892 and should be mailed to this office. The Regional Office will let you know what action they take and will set a date and place for any conference to be held.

This is a determination letter.

Sincerely yours,

Signed [REDACTED]

District Director