[redacted] [redacted]

NOV. 8 1985

CERTIFIED

Dear Applicant:

We have considered your application for recognition of exemption from Federal Income Tax under section 501(c)(7) of the Internal Revenue Code.

The information submitted discloses that you were incorporated on [redacted] under the nonprofit corporation laws of the State of [redacted]

As stated in your Articles of Incorporation, your purposes are: To promote the acquisition, restoration, preservation, maintenance and reconstruction of motorized land vehicles; to collect and disseminate newsworthy information including the publishing of a newsletter; to promote the comfort, protection, convenience, interests and to protect the rights of fellow enthusiasts of motorized land vehicles in general, and its members in particular; to facilitate the cooperation of its members to their mutual advantage and protection in matters relating to motorized land vehicles; to maintain a club for fellowship, social enjoyment, and a clubhouse; to purchase, lease and improve real estate or other property as may be necessary for such aforesaid purposes; and to conduct all other business not otherwise prohibited by law deemed necessary or appropriate to accomplish such aforesaid purposes or otherwise encourage a better understanding of this hobby as a constructive avocation among its members, the public, press and law enforcement agencies.

Form 1024 indicates the following:

(a) At the present time funding is principally received from membership dues and admission fees to various events. These events include an auto show, a Christmas party, newsletter advertising income and an auction.

(b) Nonmembers are permitted to participate in your activities.

(c) Rallies may be conducted to increase public participation.

(d) For fiscal year [redacted], you had gross receipts of [redacted]. [redacted] ([redacted]%) came from nonmembers.

[redacted]

(c) In an effort to increase membership, circulars, flyers and other newsletters have been prepared and circulated throughout the metropolitan area of [redacted].

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

Section 1.501(c)(7)-1(a) of the Income Tax Regulations provides that section 501(c)(7) of the Code applies only to clubs which are organized and operated exclusively for pleasure, recreation and other nonprofitable purposes, but does not apply to any club if any part of its net earnings inures to the benefit of any private shareholder. In general, this exemption extends to social and recreation clubs which are supported solely by membership fees, dues and assessments.

Public Law 94-568 provides that no more than 15% of the gross receipts of a social club can be from the general public's use of facilities and services.

Regulations 1.501(c)(7)-1(b) states that solicitation of public patronage of facilities or activities by advertising or otherwise, is prima facie evidence that a club is engaged in a business and is not being operated exclusively for pleasure, recreational or social purposes.

Since the general public is invited to your social and recreational events and your receipts therefrom are a substantial part of your total income, it is evident that you are not operating as a social club within the intendment of section 501(c)(7) of the Code.

Accordingly, we hold that you are not entitled to exemption from Federal Income Tax as an organization described in section 501(c)(7) of the Code. Accordingly, you are required to file Federal Income Tax Returns on Form 1120.

If you do not agree with these conclusions, you may within 30 days from the date of this letter, file a brief of the facts, law and arguments (in duplicate) which clearly sets forth your position. In the event you desire an oral discussion of the issues, you should so indicate in your submission. A conference will be arranged in the Regional Office after you have submitted your brief to the Chicago District Office and we have had an opportunity to consider the brief and it appears that the conclusions are still unfavorable to you. Any submission must be signed by one of your principal officers. If the matter is to be handled by a representative, the Conference and Practice Requirements regarding the filing of a power of attorney and evidence of enrollment to practice must be met. We have enclosed Publication 892, Exempt Organization Procedures for Adverse Determinations, which explains in detail your rights and procedures.

[redacted]

If you agree with this determination please sign and return the enclosed Form 6018.

Sincerely yours,

[redacted]

District Director

Enclosures: Publication 892
Form 6018