

Person to Contact: [REDACTED]
Telephone Number: [REDACTED]
Refer Reply to:
Internal Revenue Service
[REDACTED]

CERTIFIED

Date: JAN - 6 1992

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].

Your Articles of Incorporation state that the purpose of your organization is to encourage social interchange and participation of [REDACTED] employees in the sport of scuba diving as a means of healthful exercise and as a non-competitive sport. Additionally, the intent is to foster a positive image of [REDACTED] in the communities.

Membership in your organization is open to employees of [REDACTED] and their family members.

The activities of your organization include diving trips, underwater hockey games, a spring picnic and a Christmas party. You stated in your application that nonmembers, other than guests, are permitted to participate in all activities of your organization. You also stated that approximately [REDACTED]% of your gross income is derived from nonmembers.

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 non-profitable purposes, no part of the net earnings of which inures to the benefit of any private shareholder.

Code	Initiator	Reviewer	Referee	[REDACTED]	Reviewer	Reviewer	Reviewer
Surname	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]			
Date	1-6-92	1-6-92	1/6/92	1-6-92			

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, (Senate Report, 94-1318, 2nd Session, 1976-2 C.B. 597,599) states that social clubs may receive up to 35 percent of their gross receipts, including investment income, from sources outside their membership without losing their exempt status. Within the 35 percent limitation, no more than 15 percent of gross receipts may be derived from nonmember use of club facilities and or services.

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 reached 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 Appeal Procedures for Adverse Determinations, which explains in detail your rights and procedures.

[REDACTED]

If we do not hear from you within 30 days from the date of this letter this determination will become final.

You are required to file Federal Income Tax Returns.

Please keep this determination letter in your permanent records.

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

Very truly yours,

[REDACTED]
District Director

Enclosures:
Publication 892
Form 6018