INTERNAL REVENUE SERVICE

Department of the Treasury

District
Director

[redacted]

PERSON TO CONTACT: [redacted]
TELEPHONE NUMBER: ([redacted]
REFER REPLY TO:
[redacted]

CERTIFIED

DATE: APR 07 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 organization's purpose is to provide means and places to organize, sponsor and control events for social meetings and outings for single, professional persons.

Membership in your organization is open to persons with single, marital status and employment in a professional occupation as evidenced by a bachelor's degree.

The activities of your organization include dances, parties, camping trips, lectures, workshops and other special events. Nonmembers, other than guests of members, are permitted to attend all your activities. According to the financial data submitted for [redacted] and [redacted], more than 35% of your gross income was derived from nonmembers. You were unable to provide the amount of nonmember income for years prior to [redacted] because these records were not kept.

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.

[redacted] [redacted]

[redacted]

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, 2d 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, <u>no more than 15 percent of gross receipts may be derived from nonmember use of club facilities and or services.</u>

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 meaning 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.

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 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]

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.

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

Very truly yours,

[redacted]

District Director

Enclosures:
Publication 892
Form 6018