INTERNAL REVENUE SERVICE
District Director

c/o McCaslin Industrial Park
2 Cupania Circle
Monterey Park, CA 91754
Attn: [redacted]

Department of the Treasury

Date: APR 14 1993

[redacted]

Person to Contact: [redacted]

Telephone Number: [redacted]

Case Number: [redacted]

Employer Identification Number: [redacted]

Dear Sir/Madam:

This is in reference to your application for exemption from Federal inocme tas as an organization described in section 501(c)(7) of the Internal Revenue Code.

In a previous contact made with your organization, you were informed that it was our opinion that you did not qualify for eemption from Federal income tax as an organization described in section 501(c)(7) of the Code. We have previously informed you of your rights of appeal in this matter and, if you were in agreement with our conclusions, we requested that you execute an agreement Form 6018.

You have indicated your agreement to our conclusion that you do not qualify for exemption from Federal inocme tax as an organization described in section 501(c)(7) of the Code by executing and returning the consent to Proposed Adverse Action Form 6018.

Accordingly, you do not qualify for exemption from Federal income tax an organization described in section 501(c)(7) of the Code.

You are required to file Form 1120, U.S. Corporation Income Tax Return.

If you have any questions regarding this matter

Sincerely,

[redacted]

District Director

Form 6018 (Rev. August 1983)	Department of the Treasury-Internal Revenue Service **Consent to Proposed Adverse Action** *(All references are to the Internal Revenue Code)*	Prepare In Duplicate

Case Number [redacted]	Date of Latest Determination Letter
Employer Identification Number [redacted]	Date of Proposed Adverse Action Letter

Name and Address of Organization

[redacted]

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INTERNAL REVENUE SERVICE
MAR 1 2 1993
LOS ANGELES DISTRICT

I consent to the proposed adverse action relative to the above organization as shown by the box(es) checked below. I understand that if Section 7428, Declaratory Judgments Relating to Status and Classification of Organizations under Section 501(c)(3), etc. applies, I have the right to protest the proposed adverse action.

NATURE OF ADVERSE ACTION

- [XX] Denial of exemption 501(c)(7)
- [ ] Revocation of exemption, effective
- [ ] Modification of exempt status from section 501(c)( ) to 501(c)( ), effective
- [ ] Classification as a private foundation (section 509(a)), effective
- [ ] Classification as a non-operating foundation (section 4942(j)(3)), effective
- [ ] Classification as an organization described in section 509(a)( ), effective
- [ ] Classification as an organization described in section 170(b)(1)(A)( ), effective

If you agree to the adverse action shown above, please sign and return this consent. You should keep a copy for your records.

If you sign this consent before you have exhausted your administrative appeal rights, you may lose your rights to a declaratory judgment under section 7428.

(Signature instructions are on the back of this form.)

Name of Organization
[redacted]

Signature and Title	Date
[redacted] President	3-1-93
[redacted] Secretary	3-4-93

Form 6018 (Rev. 8-83)

INTERNAL REVENUE SERVICE
District Director

Department of the Treasury

c/o McCaslin Industrial Park
2 Cupania Circle
Monterey Park, CA 91754
Attn: [redacted]

Date: February 18, 1993

[redacted]

Person to Contact: [redacted]

Telephone Number: [redacted]

Case Number: [redacted]

Response Due: March 11, 1993

Dear Mr. Mead:

Per our telephone conversation, I have reviewed the Association's application for tax-exemption as an organization described in section 501(c)(7) and have found the following:

You were incorporated under the [redacted] laws of the State of [redacted] on [redacted].

Your application Form 1024 states that you were formed to "organize Owners/Drivers of '[redacted]' class racing cars, and establish rules and regulations for the participation in '[redacted]' class events." Your activities, as stated in Form 1024, include scheduling of "[redacted]" class events at local race tracks, negotiate (as an agent for the membership) with race track agents to establish amount of prize money (if any) to be received by the membership and publication of a newsletter.

Article VII of your By-laws states that regular (voting) membership is open to any person who pays the dues and meets one of the following requirements:

1. Owns a "[redacted]" race car (as defined by the current rules) meeting the current technical specification and having passed the technical inspection by the tech. committee; or,

2. Have owned and raced a "[redacted]" race car (as defined in the current rules) during a regularly scheduled [redacted] race event the preceding race season.

Income for years [redacted] and [redacted] is projected as follows:

Prize money from race tracks	$[redacted]	[redacted]%
Membership Dues		%
Advertising		%
Total	$[redacted]	100%

*These are averages based on projections given in correspondence submitted by [redacted].

Internal Revenue Code section 501(c)(7) exempts from Federal income tax:

> "Clubs organized for pleasure, recreation, and other nonprofitable 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."

Public Law 94-568 states that a social club may receive up to 35 percent of its gross receipts, including investment income, from sources outside its membership. Within the 35 percent limitation, no more than 15 percent may be derived from nonmembers.

Because social clubs are primarily supported by their member's payments, their tax exemption has the practical effect of allowing the individuals comprising their membership to join together to provide themselves with recreational or social facilities without further tax consequences, when the income is limited to membership receipts. Thus the exemption of social clubs is based on the logic of allowing members to pool their funds for recreational purposes, rather than by any compelling public benefit conferred by social clubs. This justification should not result in great tax advantage.

Your organization plans to derive the majority of its income, or approximately 75%, from other than your membership. As stated above, income from nonmembers (other than investment income) is limited to 15% of gross receipts.

Therefore you do not qualify for tax-exemption under section 501(c)(7) of the Code. Please sign and date the enclosed agreement Form 6018 and return it by the due date shown on the first page of this letter.

If you have any questions, please call me.

Thank you for your cooperation.

Sincerely,

[redacted]
Internal Revenue Agent
Exempt Organizations

Enclosures:
Public Law 94-568
Form 6018