

Internal Revenue Service  
District Director

Department of the Treasury

Person to Contact:  
[REDACTED]

Telephone Number:  
[REDACTED]

Refer Reply to:  
[REDACTED]

Date:  
MAY 09 1989

[REDACTED]

Dear Applicant:

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.

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

The exemption provided by section 501(a) for organizations described in section 501(c)(7) applies only to clubs which are organized for pleasure, recreation, and other similar non-profitable purposes and substantially all of its activities are for these purposes, but does not apply if any part of its net earnings inures to the benefit of any private shareholder.

You have stated that the purposes for which your organization was formed are; to maintain and operate an automobile racing club for the pleasure and recreation of its members; to hold or arrange automobile races and meets and other automobile matches and competition, to offer or grant or contribute towards the provision of prizes, awards and distinctions; and to foster, promote and encourage automobile racing on race tracks among its members and other similar organizations.

You also indicated that the general public is allowed to attend the races. The racing events are promoted through newspaper and trade paper advertisements. Furthermore, a ticket (admission fee) is required before entry.

Revenue Ruling 56-475, 1956-2 C.B. 308 states that an organization formed for the purpose of promoting and fostering the appreciation and techniques of the operation of stock cars and which conducts stock car racing events sponsored by community organizations under agreements whereby a certain portion of the profits is received by the organization for payment of expenses and prizes to members who participate in the races, does not qualify for exemption from Federal income tax as an organization described in section 501(c)(7) of the Internal Revenue Code of 1954.

[REDACTED]

The financial information submitted by your organization indicated that more than [REDACTED] ([REDACTED]%) of your income is derived from Promoters and Sponsorships.

Revenue Ruling 65-63, 1965-1 C.B. 240 states that a nonprofit organization which, in conducting sports car events for pleasure and recreation of its members, permits the general public to attend such events for a fee on a recurring basis and solicits patronage by advertising, does not qualify for exemption as a club organized and operated exclusively for pleasure, recreation and other non-profitable purposes under section 501(c)(7) of the Internal Revenue Code of 1954.

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, and you have indicated your agreement to our conclusion by signing and returning the agreement Form 6018. You are required to file income tax returns annually with your district director.

Sincerely yours,

District Director

[REDACTED]