

INTERNAL REVENUE SERVICE
District Director

Department of the Treasury



Date:



Person to Contact:



Telephone Number:



Response Due Date:

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.

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

The purpose for which your organization was formed is for the enjoyment of and promotion of the corvette.

Your income is from events open to the general public, membership dues, auctions and car shows. Total revenue for [REDACTED] was \$[REDACTED] of this amount [REDACTED]% was from non-members. Total revenue in [REDACTED] was \$[REDACTED] of this amount [REDACTED]% was from non-members. Total revenue in [REDACTED] was \$[REDACTED] of this amount [REDACTED]% was from non-members and total revenue in [REDACTED] was \$[REDACTED] of this amount [REDACTED]% was from non-members.

Section 1.501(c)(7)-1 of the Income Tax Regulations relating to the exemption of social clubs under section 501(a) of the Internal Revenue Code reads as follows:

"(a) The exemption provided by section 501(a) for organizations described in section 501(c)(7) 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, and assessments. However, a club otherwise entitled to exemption will not be disqualified because it raises revenue from members through the use of club facilities or in connection with club activities.

(b) A club which engages in business such as making its social and recreational facilities available to the general public or by selling real estate, timber, or other products is not organized and operated exclusively for pleasure, recreation, and other nonprofitable purposes, and is not exempt under section 501(a). Solicitation by advertisement or otherwise for public patronage of its facilities is prima facie evidence that the club is engaging in

business and is not operated exclusively for pleasure, recreation, or social purposes. However, an incidental sale of property will not deprive a club of its exemption.

Rev. Rul. 65-63, 1965-1 C.B. 240, held that a nonprofit organization which, in conducting sports car events for the 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.

Rev. Proc. 71-17, 1971-1 C.B. 683, explains that a social club's gross receipts from investment income combined with gross receipts from non-members do not exceed 35 percent of total gross receipts. Within this 35 percent, not more than 15 percent of gross receipts should be derived from the use of social club's facilities or services by the general public.

The Regulation, Revenue ruling 65-63 and Revenue Procedure 71-17 describe your organization. Application of the principles in the Income Tax Regulations, the Revenue Ruling and Revenue Procedure leads us to the conclusion that your organization does not qualify for exemption under section 501(c)(7) of the Internal Revenue Code.

Based on the information submitted, we have concluded that you are not entitled to exemption from Federal income tax as an organization described in section 501(c)(7) of the Code, because most of your income is from the general public through gambler's classic, auctions, car shows and ads in your newsletters.

If you are in agreement with this proposed determination, we request that you sign and return the enclosed agreement Form 6018. Please note the instructions for signing on the reverse side of this form.

If you are not in agreement with this proposed determination, we recommend that you request a hearing with our office of Regional Director of Appeals. Your request for a hearing should include a written appeal giving the facts, law, and any other information to support your position as explained in the enclosed Publication 892. You will then be contacted to arrange a date for a hearing.

The hearing may be held at the office of Regional Director of Appeals or, if you request, at a mutually convenient District Office. A self-addressed envelope is enclosed.

Sincerely yours,

District Director

Enclosures:
Publication 892
Form 6018