

Internal Revenue Service
District Director

Department of the Treasury

P. O. Box 2508
Cincinnati, OH 45201

Date: MAR 11 1992

Employer Identification Number:
[REDACTED]

Person to Contact:
[REDACTED]

Telephone Number:
[REDACTED]

[REDACTED]

Dear Sir or Madam:

We have considered your application for recognition of exemption from Federal income tax under the provisions of section 501(c)(7) of the Internal Revenue Code of 1986 and its applicable Income Tax Regulations. Based on the available information, we have determined that you do not qualify for the reasons set forth on Enclosure I.

Consideration was given to whether you qualify for exemption under other subsections of section 501(c) of the Code and we have concluded that you do not.

As your organization has not established exemption from Federal income tax, it will be necessary for you to file an annual income tax return on Form 1120.

If you are in agreement with our proposed denial, please sign and return one copy of the enclosed Form 6018, Consent to Proposed Adverse Action.

You have the right to protest this proposed determination if you believe that it is incorrect. To protest, you should submit a written appeal giving the facts, law and other information to support your position as explained in the enclosed Publication 892, "Exempt Organizations Appeal Procedures for Unagreed Issues". The appeal must be submitted within 30 days from the date of this letter and must be signed by one of your principal officers. You may request a hearing with a member of the office of the Regional Director of Appeals when you file your appeal. If a hearing is requested, you will be contacted to arrange a date for it. The hearing may be held at the

[REDACTED] 2/21/92

[REDACTED] 2-22-92

[REDACTED] 3-8-92

[REDACTED] 3/9/92

EIN: [REDACTED]

Regional Office, or, if you request, at any mutually convenient District Office. If you are to be represented by someone who is not one of your principal officers, he or she must file a proper power of attorney and otherwise qualify under our Conference and Practice Requirements as set forth in Section 601.502 of the Statement of Procedural Rules. See Treasury Department Circular No. 230.

If we do not hear from you within the time specified, this will become our final determination.

Sincerely yours,

[REDACTED]
District Director

Enclosures: 3

Enclosure I
Reasons for proposed denial of exempt status

EIN: [REDACTED]

Information submitted with your application indicates that you were formed under Articles of Association on [REDACTED]. Your Articles of Association state that the objects of your association are: .

To promote fellowship and reunion among the faculty, graduates, and friends of [REDACTED].

To gather interested persons together at least every five years.

To act as a guiding organization to develop and put into action such events as the group deems necessary.

Your application indicates that membership is available to graduates of [REDACTED] High School classes from 1923 to 1963. In describing your activities you indicated that you hold a reunion for alumni every five years and that you assembled an alumni directory which was distributed in [REDACTED]. Your last reunion was held in [REDACTED]. You stated that you do not hold meetings on a regular basis and you do not have a regular meeting place.

On your application you stated that you do not charge membership dues or fees. You charge each person \$ [REDACTED] every five years to cover the costs of the reunion. For the year ended [REDACTED], you reported \$ [REDACTED] in assessments of members and \$ [REDACTED] in interest income. In years the reunion is not held, your sole source of financial support is the interest income you receive from a \$ [REDACTED] certificate of deposit.

Section 501(c)(7) of the Code provides for the exemption from Federal income tax of clubs organized for pleasure, recreation, and other non-profitable 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.

Section 1.501(c)(7)-1(a) of the Regulations states that the exemption provided by section 501(a) of the Code for an organization described in section 501(c)(7) of the Code applies only to clubs which are organized and operated exclusively for pleasure, recreation, and other non-profitable purposes, but does not apply to any club if any part of its net earnings inure 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. 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.

[REDACTED]
EIN: [REDACTED]

As previously noted, section 501(c)(7) of the Code requires that substantially all of a social club's activities be social or recreational activities for members. Revenue Procedure 71-17, 1971-1 C.B. 683, modified by Public Law 94-568, 1976-2 C.B. 596, provides that a social club may receive up to 35 percent of its gross receipts, including investment income from sources outside its membership without losing exemption. Within this 35 percent amount, not more than 15 percent of the gross receipts should be derived from the use of a social club's facilities or services by the general public. This means that an exempt social club may receive up to 35 percent of its gross receipts from a combination of investment income and receipts from nonmembers so long as the latter do not represent more than 15 percent of the total receipts.

Your financial statements reveal that your investment income exceeds 35 percent of your gross receipts. As your organization consistently exceeds the guidelines for non-member income as set forth in Public Law 94-568, we propose to deny your application for recognition of exemption under section 501(c)(7) of the Code.