

Internal Revenue Service

Department of the Treasury

District
Director

[REDACTED]

Person to Contact:

[REDACTED]

Telephone Number:

[REDACTED]

Refer Reply to:

[REDACTED]

Date: JUL 14 1986

Gentlemen:

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 [REDACTED] [REDACTED].

Your purpose as stated in your articles of incorporation is to promote bass fishing by bringing together those who are interested in black bass fishing conservation, help promote conservation and educational projects and programs, promote adherence to fish and game codes, stimulate public awareness of bass fishing, improve skills as bass anglers through exchanges of ideas and techniques, etc.

However, according to your application, your normal activities include monthly outings where members compete against each other for honors. Trophies are awarded at year end. You also have two club business meetings a month a yearly Christmas party. Lastly, your organization hosts an annual fishing tournament in which the general public is invited to attend. Entry fees as well as prizes donated for raffles and tickets are used as well as prizes donated for raffles and tickets are used to raise money for award money and charitable organizations.

Calculations based on financial data you submitted for the accounting period after your organization was incorporated indicated that [REDACTED] % of your gross receipts were from non-members participating in your annual fishing tournament. The other [REDACTED] % were from membership dues, the annual Christmas party, raffle tickets sales and tournament entry fees from members.

P.L. 94-568 provides that 501(c)(7) organizations be permitted to receive up to 35 percent of their gross receipt including investment income, from sources outside their membership without losing their tax exempt status. Within this 35 percent, amount not more than 15 percent of the gross receipt be divided from the use of a social club's facilities or services by the general public.

Information submitted by you discloses that a substantial portion of your income is derived from nonmember sources. Therefore, it cannot be said that you are operating substantially for pleasure, recreation and other nonprofitable purposes and that no part of your income inures to the benefit of your members.

Since the general public is invited to your annual fishing tournament 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 intentment 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. You are required to file income tax returns annually with your district director.

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