

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

1667 0 0 1 0

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 in support of your application discloses that you were incorporated on [REDACTED] under Chapter [REDACTED] of the [REDACTED] Statutes. As taken from your Articles of Incorporation, the purpose of your organization is to promote the best interests and the spirit of the game of golf throughout [REDACTED] and to engage in any and all lawful activities authorized by Chapter [REDACTED] of the [REDACTED] Statutes.

As noted in your application, your organization is comprised of golf courses within the confines of the boundaries of [REDACTED]. Your membership is open to only organized golf courses within that area. The members held golf tournaments for all age brackets and these tournaments are held on a weekly basis at one of the members' facilities. An entry fee is paid by each participating golfer with one dollar of such fee going to your organization and the balance reverting to the member hosting the event.

Section 501(c)(7) of the Code provides for exemption from Federal income tax of 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.

Rev. Rul. 55-716, C.B. 1955-2, 263 provides in part that the term "club" as used in section 501(c)(7) of the Code contemplates the comingling of members, one with the other, in fellowship. Such comingling must also play a material part in the life of the organization. Otherwise an organization is not a "club" as contemplated within section 501(c)(7) of the Code.

[REDACTED]

Furthermore, Rev. Rul. 67-428, C.B. 1967-2, 204 provides that the word "club" was intended to apply to organizations having individual members, and not to associations composed wholly of artificial persons or member clubs. As noted in such revenue ruling, if an organization is composed of member clubs, the required commingling and fellowship among individuals would not be present and would not play a material part in the activities of an organization. Thereby, an organization comprised wholly of artificial entities or member clubs could not meet the definition of club as contemplated by section 501(c)(7) of the Code.

In as much as your organization is comprised of golf course entities rather than individual members and your purpose, as noted in your Articles of Incorporation, is not limited to exclusively social and recreational activities but all lawful activities authorized by [REDACTED] of the [REDACTED] Statutes, it is our determination that your organization fails to meet the purpose provisions and the definition of "club" as enumerated in the code, regulations, and aforementioned revenue rulings. Therefore, we have concluded that your organization does not qualify for exempt status as an organization described in section 501(c)(7) of the Internal Revenue Code.

You are required to file Federal income tax returns on Form 1120.

If you do not agree with these conclusions, you may request Appeals Office consideration. To do this, you must submit to the District Director within 30 days from the date of this letter, a statement of facts, law, and arguments, in duplicate, which will clearly set forth your position. You also must state whether you wish an Appeals Office conference. Any submission must be signed by one of your principal officers. If the matter is to be handled by a representative, the Conference and Practice Requirements regarding the filing of a power of attorney and evidence of enrollment to practice must be met.

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

Very truly yours,

[REDACTED]  
[REDACTED]  
District Director

Enclosure:  
Publication 892