

Internal Revenue Service
District Director

Department of the Treasury

Post Office Box 1680, GPO
Brooklyn, NY 11202

Date: SEP 18 1996

Person to Contact:

Contact Telephone Number:

Refer Reply to:

Employer Identification
Number:

CERTIFIED MAIL

Dear Applicant:

We have considered your application for recognition of exemption under Section 501(c)(7) of the Internal Revenue Code.

The evidence presented disclosed that you were incorporated in

According to your Articles of Organization, the purposes for which your corporation is formed are as follows:

a) To encourage and promote safe flying of aircraft; to purchase, own, and operate aircraft and any and all equipment pertaining thereto for the sole and exclusive benefit and use of the corporate members; to purchase, hire, rent, or lease any real estate necessary for said purposes.

The activities of the organization, as stated in the application, are to provide and maintain an aircraft for the exclusive recreational use of its corporate members only.

The organization will provide for the proper care and maintenance of the aircraft such as repairs, hanger space, licensing and conformance to regulatory requirements. The organization operates on a very informal basis. The organization also states that they, generally, do not plan formal social or recreational activities since they are a small group and tend to organize such activities on an informal, impromptu basis.

The organization uses the aircraft primarily for transporting members, their families and friends. The aircraft usage is split approximately 50% individual use and 50% joint use.

The corporation provides multiple benefits to its members, such as: direct control over the aircraft and its maintenance; direct control of its scheduling and operation; shelter from personal liability resulting from each other actions; maximize the utility of use at the minimum cost; and share common interests, training activities, and reduce the cost of ownership. Membership in the organization is limited to only five members. Members will participate in personal activities on their own, outside the club environment. The organization has a minimum of one formal board meeting a year.

According to the financial statements of your organization, all of your expenses are from fuel costs, hanger rent, insurance, annual inspection and maintenance.

Section 501(c)(7) of the Code provides exemption to clubs organized for pleasure, recreation, and other nonprofitable purposes, substantially all of the activities are for such purposes and no part of the net earnings of which 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, 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.

Section 1.501(c)(7)-1(a) of the Income Tax Regulations applies only to clubs which are organized and operated exclusively for pleasure, recreation and other nonprofit 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 recreational 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.

Revenue Ruling 70-32, 1970-1 C.B. 132 states that a flying club providing economical flying facilities for its members but having no organized social and recreation program does not qualify for exemption under Section 501(c)(7) of the Code.

Revenue Ruling 69-635, 1969-2 C.B. 126 states that an automobile club whose principal activity is rendering automobile services to its members, but has no significant social or recreational for exemption under Section 501(c)(7) of the Code.

Revenue Ruling 74-30, 1974-1 C.B. 137 states that a flying club must be organized for pleasure and recreation. Also, a flying club of limited membership that provides flying privileges solely for its members, assesses dues based on the club's fixed operating costs and charges fees based on variable operating expenses, and whose members are interested in flying as a hobby, constantly commingle in informal meetings, maintain and repair the aircraft owned by the club, and fly together in small groups qualified for exemption under Section 501(c)(7) of the Code.

Your primary activities are very similar to the activities of the organizations described in Revenue Ruling 70-32 and Revenue Ruling 69-635 in that your primary activity is to own, maintain and operate a plane for the purpose of membership flying with no organized social recreational programs or activities. However there is little commingling among members for social or recreational purposes.

Unlike the organization described in Revenue Ruling 74-30, your organization does not exclusively provide the members with a social and recreational programs. The members of your club are not in the hobby of flying for recreation, but to obtain economic flying facilities suitable for their individual personal use. By performing these activities, the organization is not operating within the meaning of Section 501(c)(7) of the Code.

Although, the organization has social and recreational activities, these activities are insignificant in nature. The aircraft usage is split about 50% individual use and 50% joint use. This is not exclusively social or recreational in nature. The members of the organization are using the aircraft for their personal use which is a service to members rather than for pleasure and recreation of the members.

Accordingly, we conclude that you do not meet the requirements for exempt status under IRC section 501(c)(07) and propose to deny your request for exemption under that section.

We have also determined that you fail to qualify for exempt status under any other subsection of IRC 501(c).

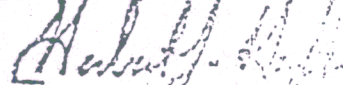
You are required to file a taxable return Form 1120 or 1041 with the District Director of Internal Revenue Service. Please send the return to the Internal Revenue Service, P.O. Box 1680, General Post Office, Brooklyn, NY 11202.

If you do not agree with this determination, you may request a Conference with the Regional Director of Appeals by protesting in accordance with the enclosed instructions within 30 days.

Protests submitted which do not contain all the documentation stated in the instructions will be returned for completion.

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

Sincerely yours,



District Director

Enclosure: Publication 892