



TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

Date: [REDACTED]

Contact Person: [REDACTED]

Identification Number: [REDACTED]

Contact Number: [REDACTED]

[REDACTED]

NO PROTEST RECEIVED
Release to Manager, EO Determinations - Cincinnati

DATE: [REDACTED]

SURNAME [REDACTED]

Employer Identification Number [REDACTED]

Dear Applicant:

We have considered your application for recognition of exemption from federal income tax under section 501(a) of the Internal Revenue Code as an organization described in section 501(c)(7). Based on the information submitted, we have concluded that you do not qualify for exemption under that section. The basis for our conclusion is set forth below.

The information provided indicates that you are an association formed in the state of [REDACTED] on [REDACTED]. According to your Form 1023 application you were established for the purpose of providing a location for social activities for your members and guests. Activities include the consumption of alcoholic beverages and food. You are in a dry area and are required by the state law of [REDACTED] to be a private club in order to sell alcohol. Your financial support will derive from the selling and serving of alcoholic beverages.

You are located in the [REDACTED] clubhouse. [REDACTED] is owned and operated by [REDACTED] and, his wife, [REDACTED] who also serve as your President and Secretary, respectively. You have a lease agreement with the [REDACTED] that provides that rent shall be paid each Monday in the sum of fifty percent (50%) of the previous weekly gross sales from beer and food.

[REDACTED] pays all operating expense relating to your operations. He also pays the salary of your employees, all utilities, insurance, supplies and taxes related to both the pro shop and your activities.

You have contracted with [REDACTED] your secretary, to supervise your operations for a salary of \$10 per annum.

You currently have [REDACTED] members. You received [REDACTED] applications for membership and all have been approved. The initial [REDACTED] members each paid a fee of \$10 to help start your operations.

All alcohol sales will be to members only and alcohol will not be available to the general public.

Section 501(c)(7) of the Internal Revenue Code exempts from federal income tax qualified social clubs, which are 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) of the Income Tax Regulations provides that generally this tax exemption extends to social and recreation clubs that are supported solely by membership fees, dues, and assessments.

Section 1.501(c)(7)-1(b) of the regulations provides that 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 exempt under section 501(a).

In Revenue Ruling 58-588, 1958, C.B. 265, an organization formed by several individuals to operate a health and recreational club, but whose predominant activity is the selling of services for profit to an unlimited number of so-called members who have no voice in the management of the club and whose only rights are to use the club's facilities upon payment of specified fees, is not a social club under section 501(c)(7).

Your primary function is to hold a liquor license for the [redacted], which enables beer to be sold at the [redacted]. You have contracted with the [redacted] to pay rent in the form of profits based on beer and food sales. Therefore, you primarily serve business interests rather than being primarily organized for social purposes.

Accordingly, you do not qualify for exemption as an organization described in section 501(c)(7) of the Code and you must file federal income tax returns.

You have the right to protest this ruling if you believe it is incorrect. To protest, you should submit a statement of your views to this office, with a full explanation of your reasoning. This statement, signed by one of your officers, must be submitted within 30 days from the date of this letter. You also have a right to a conference in this office after your statement is submitted. You must request the conference, if you want one, when you file your protest statement. If you are to be represented by someone who is not one of your officers, that person will need to file a proper power of attorney and otherwise qualify under our Conference and Practices Requirements.

If we do not hear from you within 30 days, this ruling will become final and a copy will be forwarded to the Ohio Tax Exempt and Government Entities (TE/GE) office. Thereafter, any questions about your federal income tax status should be directed to that office, either by calling 877-829-5500 (a toll free number) or sending correspondence to: Internal Revenue Service, TE/GE Customer Service, P.O. Box 2508, Cincinnati, OH 45201.

[REDACTED]

When sending additional letters to us with respect to this case, you will expedite their receipt by using the following address:

[REDACTED]

If you have any questions, please contact the person whose name and telephone number are shown in the heading of this letter.

Sincerely,

[REDACTED]

[REDACTED]