

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

NO POSTAL PROTECTION  
2 copies to District

Date 10/15/99

Surname [REDACTED]

Date: OCT 4 1999

Contact Person:  
[REDACTED]

ID Number:  
[REDACTED]

Telephone Number:  
[REDACTED]

[REDACTED]  
[REDACTED]  
[REDACTED]  
[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)(3). 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.

You were formed in [REDACTED] as a social club. Your purpose, as stated in your most recent Constitution and by-laws, is "to bring together the [REDACTED] residing in [REDACTED] and vicinity, regardless of political party affiliation, to form one body, to support each other in obtaining equality with other nationalities, to become acquainted with one another, to promote social and cultural interest and to afford opportunities for healthful, beneficial and harmless recreation and amusement." Article IX of your Constitution states further that upon dissolution, any surplus fund, properties or other assets will be turned over to any non-profit organization, chosen at a special meeting, share and share alike. You have indicated that you were recognized as tax exempt under section 501(c)(7) until that status was revoked in [REDACTED] due to excess non-member income.

The additional information you submitted indicates that, historically, your club was created to welcome and help acclimate new [REDACTED] immigrants to America. You became a social center for these immigrants with monthly membership meetings where the "ladies" shopped, cooked, and served, the children attended an after school language program and other educational and recreational programs were offered. As the immigrants assimilated, your club remained the social center for the [REDACTED] community. In your application, you indicate that as the [REDACTED] community moved away from [REDACTED], and spread out, your club had trouble keeping

enough members to pay for its building and activities. To continue operating, you opened many of your activities to the public and widened eligibility requirements for membership.

Your clubhouse was built in 1937 to house your activities and to serve as a community center. This facility continues to serve as your headquarters. The facility is currently open to the community during dances at which time your library is also open. The information you submitted suggests that the facility is open at other times only for scheduled classes and events, or by appointment, and no longer serves as a full time community center.

Current membership requirements, as set forth in your Constitution and by-laws, require that a member or spouse must be of [redacted] descent and must be approved by existing members in good standing. Candidates for membership are voted on at the next general meeting by secret ballot and notified by mail as to whether they have been accepted or rejected. If accepted, the new member is invited to the next monthly meeting. Your current membership is approximately [redacted] members. Monthly dues are \$ [redacted]. Members receive a [redacted] % discount on many of your activities, discounts on the rental of your hall for private affairs, access to information regarding your classes and other events. Membership meetings are held monthly. At each meeting, a full buffet is served.

In your Form 1023, you indicate that you are in the process of change and that you no longer operate solely as a social club. You state that you are organized for the education, enlightenment and promotion of [redacted] heritage and culture. In furtherance of this purpose, your mission is to:

- (a) Develop a better knowledge of [redacted] contributions to the world civilization:
- (b) Contribute to friendlier relations between the United States and [redacted]
- (c) Instill a better knowledge of [redacted] Heritage:
- (d) Encourage the process of Americanization of younger [redacted] Americans through education:
- (e) Provide financial aid and guidance to persons in need of assistance.

To accomplish your mission, you plan to implement the following programs:

1. Annual Scholarships
2. Develop a library of [redacted] Literature and music to be available to the community.
3. Implement classes to teach [redacted] culture through music, cooking, dance, history, politics, etc.

4. Develop youth exchange programs to allow American youth to live in [REDACTED], learn in [REDACTED] schools and learn [REDACTED] culture and also allow [REDACTED] youth the opportunity to live in America and learn American ideas.

5. Develop a network of professionals in both [REDACTED] and the United States to exchange business and technological ideas and create an open forum so that the two cultures/economies can learn from each other.

6. Regularly hold cultural events both in your facility and in the community.

In your submission of [REDACTED], you indicated that not all of these programs have been implemented. You have provided information about your ongoing activities as follows:

You scholarship program commenced in [REDACTED]. Through this program, you make three annual scholarship awards. Two are for \$[REDACTED] each and one is for \$[REDACTED]. Notice of the availability of the scholarships is sent to the local high schools. Applicants must be of [REDACTED] ancestry. Recipients are selected by your scholarship selection committee based on need and merit. Applicants are not required to be members of your organization.

You sponsor the [REDACTED] annually. In your submission entitled "History" you indicate that this is one of your most successful social events. It is a dinner/dance held in October where one girl is picked to represent your club in the annual [REDACTED]. This event has elements of both a beauty pageant and a coming out party. Participants do not wear native costumes nor does the event appear to have any educational component relating to being [REDACTED].

The person selected as [REDACTED] participates in your club's delegation to the [REDACTED] by riding on the float. You do not sponsor the [REDACTED], but send a delegation to participate in it every year. You hold a "sashing" party for your members prior to the [REDACTED] and provide bus transportation to the event. A party is also held at your facility following the [REDACTED].

You have started to offer various classes. These currently include only music lessons and cooking classes. You hope to add classes to teach [REDACTED] dance. Both the music lessons and cooking demonstrations are taught by one of your members. The classes are free. You conduct no advertising and there is no syllabus. These classes are not open to the public at this time.

You have started to accumulate material for a [REDACTED] library. You anticipate that the library will include both [REDACTED] literature and music. Many of the books in your collection were donated by the [REDACTED] Museum and your members. Your collection includes approximately 250 books, some rare, some in [REDACTED] as well as 60 musical recordings. You do not advertise the availability of the library which is only open to the public when your facility is open. It is available for use by members when your facility is open for meetings, classes and public dances. Non-member access is limited to the times the building is open for public dances.

You also indicate that you are working with [REDACTED], a commercial enterprise, to gather information on art galleries, poster museums, the history of [REDACTED], and its military and government to enhance the library. In addition, you are looking to import [REDACTED] costumes, crystal and jewelry for sale and display.

Your application further indicates that you sponsor numerous [REDACTED] dances, a yearly [REDACTED] and a [REDACTED] that are open to the public. Once a year, your members organize a clothing drive and send packages of clothing to [REDACTED] to assist the poor. You state that you send donations to [REDACTED] radio shows, support local churches in their fund raising efforts, support [REDACTED] and [REDACTED] affairs, and support all other [REDACTED] organizations around [REDACTED] and [REDACTED].

You have not yet developed any youth, professional or business exchange programs. You have, however, provided support for the [REDACTED] an independent program that you do not operate. This program assists [REDACTED] children who need heart surgery by bringing them to the United States. You state that your members have provided housing and financial support to this program.

You indicate further that all of your fundraising efforts are performed by members of your organization on a volunteer basis. In this regard, you indicate that your cultural and holiday dinner dances are fundraisers to support your ongoing and proposed charitable activities. You have submitted schedules of your sponsored dances as follows:

1/25:	[REDACTED]	8 p.m. - 12	\$10.00
2/16:	[REDACTED]	1 p.m. - 3 p.m. DINNER	\$15.00
4/6:	[REDACTED]		\$10.00
4/19:	[REDACTED]	8 p.m. - 12	\$10.00
5/3:	[REDACTED]	8 p.m. - 12	\$10.00
5/17:	[REDACTED]	8 p.m. - 12	\$10.00
6/1:	[REDACTED]	4 p.m. - 6	\$5.00
6/8:	[REDACTED]	Noon - Mass	
	[REDACTED]	1 p.m. - 3 DINNER	\$15.00
	[REDACTED]	3 p.m. - 7 Dancing	
7/13:	[REDACTED]	1 p.m. - 3 DINNER	\$20.00
8/14:	[REDACTED]	1 p.m. - 3 DINNER	\$25.00
	[REDACTED]	3 p.m. - 7 Dancing	
10/5:	[REDACTED]		
10/25:	[REDACTED]	8 p.m. - 12	\$10.00
11/15:	[REDACTED]	8 p.m. - 12	\$10.00

12/13: [REDACTED]

\$10.00

12/31: [REDACTED]

7 p.m. - 9 DINNER  
9 p.m. - 1 a.m. Dancing

\$40.00

2/15: [REDACTED]

2 p.m. - 3 DINNER  
3 p.m. - 7 Dancing

Fees were charged for each event but not listed.

3/15: [REDACTED]

2 p.m. DINNER  
3 p.m. - 7 Dancing

4/23: [REDACTED]

8 p.m. - 12 Dinner/Dance

5/7: [REDACTED]

NOON

1 p.m.  
2 p.m. - 6 p.m. Dancing

7/19: [REDACTED]

2 p.m. Buffet  
3 p.m. - 7 Dancing

8/23: [REDACTED]

2 p.m. Buffet  
3 p.m. - 7 Dancing

9/13: [REDACTED]

2 p.m. Buffet  
3 p.m. - 7 Dancing

10/18: [REDACTED]

3 p.m. - 7 Dancing

12/20: [REDACTED]

2 p.m. - 7  
7 p.m. DINNER  
9 p.m. - 2 Dancing

2/14: [REDACTED]

2 p.m. Buffet  
3 p.m. - 7 Dancing

Fees were charged for each event but not listed.

3/14: [REDACTED]

2 p.m. Buffet  
3 p.m. - 7 Dancing

4/18: [REDACTED]

3 p.m. - 7 Dancing

5/16: [REDACTED]

2 p.m. Buffet  
3 p.m. - 7 Dancing

5/22: [REDACTED]

8 p.m. - 12 Dinner/Dance

6/13: [REDACTED]

Noon Mass  
1 p.m. Buffet  
2 p.m. - 6 Dancing

[REDACTED]

7/18:	[REDACTED]	2 p.m. Buffet
	[REDACTED]	3 p.m. - 7 Dancing
8/22:	[REDACTED]	2 p.m. Buffet
	[REDACTED]	3 p.m. - 7 Dancing
9/12:	[REDACTED]	2 p.m. Buffet
	[REDACTED]	3 p.m. - 7 Dancing
10/17:	[REDACTED]	2 p.m. Buffet
	[REDACTED]	3 p.m. - 7 Dancing
11/21:	[REDACTED]	2 p.m. Buffet
	[REDACTED]	3 p.m. - 7 Dancing
12/5:	[REDACTED]	2 p.m. Buffet
	[REDACTED]	3 p.m. - 7 Dancing
12/31:	[REDACTED]	7 p.m. Dinner
	[REDACTED]	9 p.m. - 2 Dancing

These dances took place monthly at your facility in the [REDACTED]. You have submitted copies of advertisements and notices regarding many of the above events that were placed in local newspapers and in the [REDACTED]. Although some of the ads note the admission price as a donation, none of the ads identify the events as fundraisers. The ads are silent as to the use of the proceeds. There is no evidence in the board minutes over the three year period of any discussion of the fundraising purposes for any of the dances that were open to the public. Nor is there any evidence of discussion regarding the use of the profits from any of these dances for particular charitable purposes. Much discussion was devoted to the selection of popular [REDACTED] bands and repairs needed to the clubhouse. During that period, your minutes show that funds were spent on many activities undertaken to make your business more successful. These expenditures include a lighted sign for the building to advertise your events, needed repairs to the building, the addition of a handicapped bathroom, expenses for a liquor license and insurance.

You also indicated that [REDACTED]% of your time and resources are devoted to hall rentals. Your ballroom rental services include use of the bar, dining room, dance floor and kitchen facilities. Nonmembers pay \$[REDACTED] to \$[REDACTED] per hour for hall rental, plus \$[REDACTED] for the kitchen, \$[REDACTED] for each bartender, and \$[REDACTED] for each waitress. Your members receive a discount on the hall rental. You charge members \$[REDACTED] for the event and permit them to arrange and pay for the other amenities on their own. They also receive a [REDACTED]% discount on liquor and soda.

You indicate that you rented your facility at reduced fees to the [REDACTED] for their [REDACTED]. It is unclear what your criteria are for reduced fee rentals. It is also unclear as to whether any other organizations were permitted to use your facility at a reduced rate. You state further that you do no advertising for hall rentals, availability is made known by word of mouth. The records you submitted show that the Ballroom was rented to non-members 17 times in [REDACTED], and 17 times in [REDACTED]. There were only 2 member rentals in [REDACTED] and none in [REDACTED]. You did not submit [REDACTED] records.

Section 501(c)(3) of the Internal Revenue Code provides in part for the exemption from Federal income tax of organizations organized and operated exclusively for charitable purposes, no part of the net earnings of which inures to the benefit of any private shareholder or individual.

Section 1.501(c)(3)-1(a)(1) of the Income Tax Regulations provides that in order to qualify for exemption under section 501(c)(3), an organization must be both organized and operated exclusively for one or more exempt purposes. An organization that fails to meet either the organizational or operational test is not exempt.

Section 1.501(c)(3)-1(b)(1)(i) of the regulations provides that an organization is not organized exclusively for one or more exempt purposes unless its articles of organization limit its purposes to one or more exempt purposes; and do not expressly empower the organization to engage in activities which in themselves are not in furtherance of one or more exempt purposes.

Section 1.501(c)(3)-1(b)(4) of the regulations provides that an organization is not organized exclusively for one or more exempt purposes unless its assets are dedicated to exempt purposes. An organization's assets will be considered dedicated to an exempt purpose if, upon dissolution, such assets would, by reason of a provision in the organization's articles or by operation of law, be distributed for one or more exempt purposes, or to the Federal government, or to a State or local government, for a public purpose, or would be distributed by a court to another organization to be used in such manner as in the judgment of the court will best accomplish the general purposes for which the dissolved organization was organized. An organization does not meet the organizational test if its articles or the law of the State in which it was created provide that its assets would, upon dissolution, be distributed to its members or shareholders.

Section 1.501(c)(3)-1(c)(1) of the regulations provides that an organization will be regarded as "operated exclusively" for one or more exempt purposes only if it engages primarily in activities which accomplish one or more of the exempt purposes specified in section 501(c)(3). An organization will not be so regarded if more than an insubstantial part of its activities is not in furtherance of an exempt purpose.

Section 1.501(c)(3)-1(d)(1)(ii) of the regulations provides that an organization is not organized and operated exclusively for purposes described in section 501(c)(3) unless it serves a public rather than a private interest. This section further provides that in order to meet the public interest requirement, it is necessary for an organization to establish that it is not organized or operated for the benefit of private interests such as designated individuals, the creator or his family, shareholders of the organization, or persons controlled, directly or indirectly, by such private interests.

Section 1.501(c)(3)-1(d)(2) of the regulations provides that the term "charitable" as used in section 501(c)(3) of the Code includes, among other purposes, the advancement of education. Section 1.501(c)(3)-1(d)(3)(ii) of the regulations provides that the term "educational" relates to the instruction or training of the individual for the purpose of improving or developing his

capabilities and the instruction of the public on subjects useful to the individual and beneficial to the community.

Section 501(c)(7) of the Code provides for the 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.

In Better Business Bureau of Washington, D.C. v. United States, 316 U.S. 279 (1945), the Supreme Court interpreted the requirement in section 501(c)(3) that an organization be "operated exclusively" by indicating that in order to fall within the claimed exemption, an organization must engage primarily in activities which accomplish one or more of such purposes. The presence of even a single non-exempt purpose, if substantial in nature, will destroy exemption under section 501(c)(3) regardless of the number and importance of any exempt purposes.

To establish that you are exempt as an organization described in section 501(c)(3), as opposed to a social club described in section 501(c)(7), you must establish that your primary purpose is educational and that no substantial part of your activities is social in nature. The following rulings are helpful in this analysis:

Rev. Rul. 66-169, 1966-1 C.B. 139, shows how garden clubs may qualify for exemption under different sections of the Code depending on their form of organization and method of operation. Situation 1 is an example of a garden club that qualifies for exemption under section 501(c)(3). The club was incorporated as a nonprofit organization for the purposes of instructing the public on horticultural subjects. In furtherance of its purposes, the organization maintained and operated a free library of materials on horticulture and allied subjects, instructed the public on horticulture, held public flower shows of a noncommercial nature, made awards to children for achieving in gardens, and made awards for civic achievement in conservation and horticulture. Membership was open to the public and consisted primarily of amateur gardeners.

Situation 4 of Rev. Rul. 66-169, describes a garden club that qualifies for exemption under section 501(c)(7). This club was organized by amateur gardeners to promote their common interest in gardening. The organization held flower shows and exhibits to display its members' achievements in home gardening; scheduled weekly meetings devoted primarily to informal social hours during which matters related to gardening were discussed; and issued a publication containing news about members' social activities and achievements in home gardening. Its funds were derived from membership dues, fees, and assessments. Participation in its programs was limited to its members.

Rev. Rul. 67-139, 1967-1 C.B. 129, provides examples of how gem and mineral clubs may qualify for exemption under section 501(c)(3) or 501(c)(7). In Situation 1, a club qualifying for exemption under section 501(c)(3) has a membership consisting primarily of amateurs and hobbyists; holds monthly lectures; sponsors field trips; issues a bulletin containing educational

materials; maintains a library of reference materials; assists the local museum in its display of gems and minerals; and annually conducts a show for the general public on gems and minerals. The general public is invited to attend all club functions and participate in its programs on substantially the same basis as members.

Situation 2 of Rev. Rul. 67-139, describes a gem and mineral club that qualifies for exemption under section 501(c)(7). This club held monthly social meetings for the members to discuss gem and mineral topics and sell, purchase, or exchange rock and mineral specimens. The club issued a bulletin containing news of members' social activities and their rock and mineral collections and conducted an annual show for the general public at which its members displayed their lapidary techniques and mineral specimens.

Rev. Rul. 69-573, 1969-2 C.B. 125 holds that a college fraternity is not exempt under section 501(c)(3) but may be exempt under section 501(c)(7). New members of the fraternity were selected by current members largely on the basis of companionship, although some academic qualifications existed. It owned a chapter house that served as living quarters for some members and also as the center for the social activities for all of the members. In holding that the fraternity could not qualify for exemption under section 501(c)(3), the Service indicated that although a typical college fraternity does in some degree contribute to the cultural and educational growth of its members, this is not its primary purpose. It is primarily a social club in that its major functions are to provide a meeting place for members, living quarters for some, a place where meals are served, and a headquarters for their entertainment.

Rev. Rul. 73-439, 1973-2 C.B. 176, describes an organization that selects its membership from the junior class of a college primarily on the basis of compatibility without regard to scholarship and holds closed meetings at which personally oriented speeches and discussions are carried on by the speaker-members. In holding that the organization was not described in section 501(c)(3), the Service noted that although the meetings had some educational value, the overall activities of the organization were not primarily educational. On the contrary, the public benefit flowing from the activities carried on by the members in their closed meetings appeared to be so remote as to require the conclusion that the organization's activities did not substantially go beyond the promotion of personal contacts and fellowship among members.

An analysis of the revenue rulings discussed above shows that clubs that have achieved recognition as exempt under section 501(c)(3) are ones that conduct structured educational programs for members and the public, issue newsletters, or bulletins containing educational material, maintain reference libraries and prepare displays and exhibits for the public. Recreational and social activities must be insubstantial. The way in which the clubs select their members must be consistent with an educational (as opposed to social or recreational) purpose.

In determining whether your purposes are primarily charitable and educational, we must evaluate all the facts and circumstances. We note the statement in your letter of [REDACTED] "The Board is trying to take strides to provide more benefits to the community and to those of

[REDACTED] decent. This change is one that is occurring slowly, however it is occurring." In fact, the information you have submitted shows that you have implemented a scholarship program and made efforts to enhance your library and make [REDACTED] culture more accessible through your partnerships with various commercial vendors to bring in art, jewelry and posters both for display and sale. It is clear, as well, that you and your members have participated in charitable activities, including sponsoring an annual clothing drive and providing funds for the [REDACTED] project and other charitable causes.

According to your letter of [REDACTED] however, you have not yet changed your method for selecting your membership. Pursuant to your by-laws, members are selected by your existing membership based primarily on companionability. Current members may veto a membership for any reason. Although your board of directors is contemplating a new methodology which would be more equitable to the community, a new policy has not been adopted.

It is clear from your submission that are evolving from a purely social organization to one that provides a social environment for your members, provides educational opportunities for your members and raises funds through various events to use for varied purposes. Many of your activities, however, including the monthly dinner meetings and special trips as well as music and cooking classes, continue to be available only to your members who have exclusive use of your building during these events. The building is open to the public only during public dances. You do no advertising of your activities and members of the community are not invited to participate in these activities. Your members benefit from member-only dinners and dances during the year. The [REDACTED] continues to be a major social event as do the festivities surrounding your participation in the [REDACTED]. Therefore, a substantial part of your activities is social rather than charitable or educational in nature.

It is also clear from analyzing your application, however, that one of your major activities is the operation of a commercial dance hall. Your [REDACTED] is open to the public for a fee for an advertised event at least once a month and sometimes more often. You advertise these events in commercial publications and charge fees. The proceeds from these dances are used to support your other club activities and maintain your building. You also continue to market your banquet facilities to the public to raise additional funds to run your clubhouse. The operation of a commercial dance hall is not an exempt activity within the meaning of section 501(c)(3) and proceeds from the operation of the dance hall serve the private interests of your members.

Based on all the facts and circumstances, we conclude that your principle purpose is not educational within the meaning of section 501(c)(3). You are not organized exclusively for exempt purposes within the meaning of section 1.501(c)(3)-1(e)(1) of the regulations. You operate primarily for private rather than public purposes within the meaning of section 1.501(c)(3)-1(d)(1)(ii) of the regulations. In addition, your method of operation results in private benefit to your members.

We conclude further that you are not organized exclusively for charitable purposes within the meaning of section 1.501(c)(3)-1(b)(1)(i) of the regulations because your Constitution and by-laws do not limit your purposes to one or more exempt purposes and do expressly empower you to engage in activities which in themselves are not in furtherance of one or more exempt purposes. In addition, your assets are not permanently dedicated to charity as required by section 1.501(c)(3)-1(b)(4) of the regulations. Your Constitution provides that your assets are to be divided equally among your members upon dissolution.

Accordingly, we conclude that you are not organized and operated for charitable purposes within the meaning of section 501(c)(3) of the Code. We conclude further that you do not qualify for exemption as an organization described in section 501(c)(3) of the Code and you must file federal income tax returns.

Contributions to you are not deductible under section 170 of the Code.

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 you do not protest this ruling in a timely manner, it will be considered by the Internal Revenue Service as a failure to exhaust available administrative remedies. Section 7428(b)(2) of the Code provides, in part, that a declaratory judgment or decree under this section shall not be issued in any proceeding unless the Tax Court, the United States Court of Federal Claims, or the District Court of the United States for the District of Columbia determines that the organization involved has exhausted administrative remedies available to it within the Internal Revenue Service.

If we do not hear from you within 30 days, this ruling will become final and a copy will be forwarded to the Ohio EP/EO key district 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, EP/EO Customer Service, P.O. Box 2508, Cincinnati, OH 45201. The appropriate State Officials will be notified of this action in accordance with Code section 6104(c).

NO FURTHER RECEIVED  
Excess copies to District

Date 10/15/79

Surname [REDACTED]

[REDACTED]

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

000

Internal Revenue Service  
[REDACTED], OP:E:EO:T:4, Rm. 6236  
1111 Constitution Ave, N.W.  
Washington, D.C. 20224

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

Sincerely,

Gerald V. Sack

Gerald V. Sack  
Chief, Exempt Organizations  
Technical Branch 4

cc: [REDACTED]

cc: Release to District

OP:E:EO:T:4  
[REDACTED]  
[REDACTED]

OP:E:EO:T:4  
back by  
[REDACTED]  
[REDACTED]