

District  
Director

P.O. Box 260, Newark, N.J. 07101



Person to Contact:

Telephone Number:

Refer Reply to:

13163, Room 643, Baltimore, MD

Date:

21203

JUL 31 1984

*CERTIFIED MAIL*

Gentlemen:

We have considered your application for exemption from Federal income tax under the provisions of Section 501(a) and as an organization described in section 501(c)(7) of the Internal Revenue Code.

Section 501(c)(7) of the Code exempts organizations that are "...organized for pleasure, recreation and other nonprofitable purposes,...no part of the net earnings of which inures to the benefit of any private shareholder."

In your organization's case, you stated you hold an annual convention show which is open to the general public and for which admission is charged. The admission charge is used to help defray expenses and to "...provide a fund to support members' activities, pay rent on the hall where monthly meetings are held,...and generally to perpetuate the existence of the organization." Approximately 75% of your organization's total income consists of these fees. The use of these admission fees to support your organization is considered inurement by the fact that it is used to reduce the cost of providing services to your members. Accordingly, your organization is not qualified for exemption from Federal income tax under section 501(c)(7) of the Code.

Publication 892, which accompanies this letter, describes your appeal rights fully should you decide to appeal this ruling.

If we do not hear from you within thirty days, this will become our final determination on the matter.

You are required to file Federal income tax returns on Form 1120 within two and one-half months following the end of your annual accounting period.

Sincerely yours,

  
District Director

Enclosure:  
Publication 892