

Date: JUL 28 1992

Key District:  
[REDACTED]

Year(s):  
[REDACTED]

[REDACTED] & subsequent  
Person to Contact:  
[REDACTED]

Contact Telephone Number:  
[REDACTED]

[REDACTED]

Dear Mr. Mardinly:

We considered your appeal of the adverse action proposed by your key District Director. The paragraph(s) checked below indicate(s) our decision.

Your exemption from Federal income tax under section 501(c)(7) of the Internal Revenue Code is:

- confirmed.
- modified. A new determination letter is enclosed.
- denied ~~xxx~~ ~~xxxxxx~~. You are required to file Federal income tax returns on Form 1120 for the above years. You should file these returns with your key District Director, EP/EO Division, within 30 days from the date of this letter, unless a request for extension of time is granted.
- You are not a private foundation because you are described in Code section(s) \_\_\_\_\_.
- You are an operating foundation as described in code section 4942(j)(3).
- You have no liability for excise taxes under IRC \_\_\_\_\_ for the above years.
- Your liability for excise taxes under IRC \_\_\_\_\_ for the above year(s) was properly reported on your return(s).
- There is no change to your unrelated business income tax liability as reported for the above years.
- Your Form(s) 990-T for the above years are accepted as filed.
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You may direct questions about the decision to the appeals officer whose name and telephone number are shown above.

Sincerely yours, [REDACTED]

[REDACTED]  
Associate Chief, Appeals

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

CERTIFIED MAIL

JUL 9 1991

Gentlemen:

We have considered your application for recognition of exemption from Federal income tax under section 501(c)(7) of the Internal Revenue Code.

The information submitted indicates that you were incorporated under the nonprofit corporation law of the State of [REDACTED] on [REDACTED].

Your stated purpose is to operate a flying club to promote the education of pilots and general aviation.

Membership is open to all persons interested in flying the airplane or in obtaining a pilot's license so long as they appear to be qualified financially to be able to meet the financial commitment that flying carries.

Your activities consist of providing educational and proficient flying time for members through low overall costs; providing maximum flying time per member including schedule flexibility; and providing sporadic and informal social and recreational activities for members.

Income is derived from a fixed monthly assessment from members. Additional revenue is generated by the cost of flying which has currently been set at \$[REDACTED] per hour. Expenses are for related exempt purposes, depreciation, and occupancy.

Section 501(c)(7) of the Internal Revenue Code exempts from Federal income tax, clubs 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 inure to the benefit of any private shareholder.

Section 501(c)(7)-1 of the Income tax regulations provides as follows:

- (a) The exemption provided by section 501(a) for organizations described in section 501(c)(7) applies only to clubs which are organized and operated exclusively for pleasure, recreation, and other non-profitable 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 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 revenues from members through the use of club facilities or in connection with club activities.

- (b) A club which is engaged in business, such as making its social and recreational facilities available to the general public--- is not organized and operated exclusively for pleasure, recreation, and other non-profitable purposes, and is not exempt under section 501(a). Solicitation by advertisement or otherwise for public patronage of its facilities is prima facie evidence that the club is engaging in business and is not being operated exclusively for pleasure, recreation, or social purposes.

Although there is no statutory definition of "club" as used in IRC 501(c)(7), it implies the existence of personal contact, commingling, and fellowship among members. Generally, the lack of commingling of members is an indication that the basic purpose of the organization is only to provide personal services and goods to the membership in a manner similar to commercial counterparts.

In Revenue Ruling 70-32, 1970-1 C.B. 132, a flying club providing economical flying facilities for its members, but having no organized social and recreational program, did not qualify for exemption under section 501(c)(7) of the Code because the sole activity of the club was rendering services to its individual members and there was no significant commingling of its members.

In Revenue Ruling 74-30, 1974-1 C.B. 137, a flying club did qualify for exemption under section 501(c)(7) where the members jointly participated in the hobby of flying for pleasure and recreation, and there was constant person-to-person association among the members.

In addition to personal contact, a 501(c)(7) social club must have a common objective among the members which show that the members are joined mutually by active interests or shared goals justifying the existence of the organization, and there should also be conditions and restrictions for membership.

Your activities are similar to the organization listed in Rev. Rul. 70-32 above, in that, personal contact and commingling among members are incidental. The basic purpose of the organization is to provide the [redacted] members who own the plane low cost economical flying facilities. In addition to little commingling, the organization has no restrictions or limitations upon membership which would characterize the organization as a club.

[REDACTED]

On the basis of the evidence presented, the requirements for exemption of a social and recreational club defined in the Code and Income tax regulations, and the interpretation of the Code and Regulations cited in the Revenue Rulings noted above, we hold that you do not qualify for exemption under section 501(c)(7) of the Code.

If you do not accept our findings, we recommend that you request a conference with a member of our Regional office conference staff. Your request for a conference should include a written appeal giving the facts, law and any other information to support your position as explained in the enclosed Publication 892. You will then be contacted to arrange a date for a conference. The conference may be held at the Regional office, or if you request, at any mutually convenient District office. If we do not hear from you within 30 days from the date of this letter, this determination will become final.

Sincerely yours,

[REDACTED]  
District Director

Enclosures: Publication 892