

CERTIFIED

[Redacted]

Person to Contact: [Redacted]
Telephone Number: [Redacted]
Refer Reply to: [Redacted]

Date: JUN 29 1984

Dear Applicant:

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 discloses that you were incorporated on [Redacted] under the nonprofit corporation laws of the State of [Redacted].

You stated that the purpose of your organization is to promote and encourage the growth and development of street vans and to encourage friendship and fellowship with other street vanners, the public and law enforcement agencies. You currently have [Redacted] members who pay dues of \$ [Redacted] per year. Based upon the financial data submitted, the majority of your income is derived from birthday party receipts and truck-in receipts. You also stated that you invite other clubs across the country to your parties and other events.

On [Redacted], we asked you by correspondence to state the percentage of your gross receipts that were derived from nonmembers during [Redacted]. You stated, "None of the finances were recorded as to what amount was paid by club members and what was paid by nonmembers. Members probably paid [Redacted]%. For the years [Redacted] and [Redacted], the percentage of receipts received by nonmembers would be [Redacted]%, approximately."

Section 1.501(c)(7)-1(a) of the Income Tax Regulations provides that section 501(c)(7) of the Code applies only to clubs which are organized and operated exclusively for pleasure, recreation and other nonproftable 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.

According to Public Law 94-568, social clubs are permitted to receive up to 35 percent of their gross receipts, including investment income, from sources outside of their membership without losing their exempt status. Within this 35 percent amount, not more than 15 percent of the gross receipts may be derived from nonmembers.

Code	Initiator	Reviewer	Reviewer	Reviewer	Reviewer	Reviewer	Reviewer
	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]
Surname	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]
Date	6/15/84	6/31/84	6-27-84	6-27-84	6/27/84		

Accordingly, we hold that you are not entitled to exemption from Federal Income Tax under Section 501(c)(7) of the Code because nonmembers are invited to your social and recreational events and your receipts therefrom are a substantial part of your total income. Nonmembers include the other clubs which are invited to your activities. There is no distinction between these clubs and the general public. You are required to file income tax returns annually with your District Director.

If you do not agree with these conclusions, you may within thirty days from the date of this letter, file a brief of the facts, law and arguments (in duplicate) which clearly sets forth your position. In the event you desire an oral discussion of the issues, you should so indicate in your submission. A conference will be arranged in the Regional Office after you have submitted your brief to the Chicago District Office and we have had an opportunity to consider the brief and it appears that the conclusions reached are still unfavorable to you. Any submission must be signed by one of your principal officers. If the matter is to be handled by a representative, the Conference and Practice Requirements regarding the filing of a power of attorney and evidence of enrollment to practice must be met. We have enclosed Publication 892, Exempt Organization Appeal Procedures for Adverse Determinations, which explains in detail your rights and procedures.

If you agree with this determination, please sign and return the enclosed Form 6018.

Sincerely yours,

District Director

Enclosures: Publication 892
Form 6018