

Room 710 Tech Staff
Post Office Box 1055
Atlanta, Georgia 30370

EIN: [REDACTED] / PFN: [REDACTED]

MAY 4 1982

Dear Taxpayer:

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

The evidence discloses you were formed by constitution dated [REDACTED]. Your stated purpose is "to promote [REDACTED] and [REDACTED] and his LP Album and/or Singles." Your constitution states "monies shall not be rendered for any purpose except advertising for Fund Raising except when transferred to [REDACTED] in [REDACTED], when requested by [REDACTED] for his LP Album and/or Singles. In addition your constitution provides that [REDACTED] shall have all rights of ownership for regulating the operation of the complete [REDACTED]."

Your activities include various fund raising promotional activities for the benefit of [REDACTED] and entertainment of your membership. These activities were carried on prior to formal organization of the club and are also reflected as your projected activities.

Your activities such as flea market sales and dances will be open to the general public. They are thru classes of membership. Charter memberships are available to persons who pay \$[REDACTED] annual membership dues. Charter members receive a charter membership card and a sound track of [REDACTED]. Standard memberships are available to persons who pay \$[REDACTED] annual membership dues and receive a sound track of [REDACTED], or pay \$[REDACTED] annual membership dues and do not receive a sound track of [REDACTED]. There are currently [REDACTED] charter members, [REDACTED] standard members and [REDACTED] non paying special members who receive no voting rights.

Your receipts will be from membership dues and fund raising activities. Your disbursements will be for fund raising expenses and for creation of a fund for the future promotion of a [REDACTED] LP album.

Section 501(c) of the Internal Revenue Code of 1954 describes certain organizations exempt from Federal income tax under section 501(a) and reads, in part, as follows:

"(7) Clubs organized for pleasure, recreation, and other non-profitable purposes, substantially all of the activities of which are for such purpose, and no part of the net earnings of which inures to the benefit of any private shareholder."

Section 1.501(c)(7)-1 of the Income Tax Regulations provides, in part, 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 and part of its net earnings inures to the benefit of any private shareholder. In general, this exemption extends to social and recreational 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 revenue from members through the use of club facilities or in connection with club activities."

Revenue Ruling 68-438, 1968-2, C.B. 220 denies exemption to a club formed to maintain a country club for the promotion and enjoyment of golf for its members, that receives, as host of an annual golf tournament, substantial income from the public, and uses the income for club operating expenses and improvements.

Social clubs must be organized and operated for pleasure, recreation and other non-profitable purposes. Inasmuch as your sole purpose is the promotion of [redacted], a substantial amount of your income will be derived from the general public and the earnings will inure to the benefit of [redacted], you are not organized and operated in accordance with section 501(c)(7) of the Code. Therefore, you do not qualify for exemption under section 501(c)(7) of any related subsection of the Internal Revenue Code.

An organization which has not established its exempt status is required to file Federal income tax returns.

If you do not agree with our proposed determination, we recommend that you request a conference with a member of the Regional Director of Appeals Staff. Your request for a conference should include a written appeal signed by an authorized officer giving the facts, law, and any other pertinent information to support your position as explained in the enclosed Publication 892. If you are to be represented by someone who is not one of your authorized officers, he/she will need to file a power of attorney or tax information authorization and be qualified to practice before the Internal Revenue Service as provided in Treasury Department Circular No. 230. 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, this letter will become our final determination.

If you have any questions please contact the person whose name and number are shown above.

Sincerely yours,


District Director

Enclosure:

Publication 982