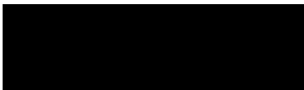


INTERNAL REVENUE SERVICE

Department of the Treasury

District
Director



Person to Contact: [REDACTED]
Telephone Number: [REDACTED]
Refer Reply to:
Internal Revenue Service
[REDACTED]

CERTIFIED

Date: JUL 15 1992

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].

According to your Articles of Incorporation, the purposes for which your corporation is organized are:

- (1) To bring together owners of [REDACTED] automobiles, creating a means by which [REDACTED] owners may interact in order to promote and preserve the [REDACTED] automobiles.
- (2) To engage in any lawful activities incidental to the foregoing purposes, except as restricted herein. The lawful purposes for which the corporation is organized are entirely recreational and charitable and not for pecuniary profit or gain.

The activities of your organization include racing events, picnics, dances, monthly meetings and an annual car show. You stated that nonmembers, other than guests of members, are permitted to attend the car show. According to the financial data submitted, more than [REDACTED]% of your gross income has been derived from nonmembers attending your shows. According to your projected budget, approximately [REDACTED]% of your gross income will be derived from these shows.

Membership in your organization is available to those individuals who own [REDACTED] automobiles or who have an interest in the [REDACTED].

Section 501(c)(7) of the Code provides for exemption from Federal Income Tax of clubs organized and operated exclusively for pleasure, recreation, and other nonprofitable purposes, no part of the net earnings of which inures to the benefit of any private shareholder.

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 nonprofitable 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.

Revenue Ruling 65-63, 1965-1 C.B. 240, states that a nonprofit organization which, in conducting sports car events for the pleasure and recreation of its members, permits the general public to attend for a fee on a recurring basis and solicits patronage by advertising, does not qualify for exemption as a club organized and operated exclusively for pleasure, recreation and other nonprofitable purposes under Section 501(c)(7) of the Internal Revenue Code.

Public Law 94-568 (Senate Report 94-1318, 2d session, 1976-2 C.B. 597, 599) provides that social clubs are allowed to receive up to 35% of all gross receipts, including investment income, from sources outside their membership without losing their exempt status. No more than 15% of all gross receipts may be derived from nonmember use of the club facilities and/or services.

Since the general public is invited to your social and recreational events and your receipts therefrom are a substantial part of your total income, it is evident that you are not operating as a social club within the intendment of Section 501(c)(7) of the Code.

Accordingly, we hold that you are not entitled to exemption from Federal Income Tax as an organization described in Section 501(c)(7) of the Code. Accordingly, you are required to file Federal income tax returns on Form 1120.

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.

[REDACTED]

If we do not hear from you within 30 days from the date of this letter, this determination will become final.

Please keep this determination letter in your permanent records.

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

Very truly yours,

[REDACTED]

District Director

Enclosures:
Publication 892
Form 6018