

[REDACTED]
[REDACTED]
[REDACTED]
AUG 01 1990

CERTIFIED MAIL

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 evidence submitted indicates that you were incorporated under the laws of [REDACTED] on [REDACTED], to sponsor and promote the welfare of all breeds of cats, to hold cat shows and promote interest in the knowledge of all breeds of cats, to cultivate friendship among and promote the interest of owners, fanciers and breeders of cats, to encourage breeding toward the ACFA Standard of Perfection and encourage the registration of cats with ACFA and to promote and encourage kindness to all animals and assist in the prevention of cruelty and mal-treatment of animals.

Your sole activity has been the sponsoring of several cat shows. The purpose of these shows is to bring into the area many different breeds of cats for the purpose of educating the general public about the various breeds, as well as their proper care. The shows are designed to promote better care, health and nutrition, promote neutering and spaying through educational shows.

Fees are charged for entries in the show. The general public is encouraged to participate in these shows and is also charged a fee for participation in these events. Other income to your organization comes from membership dues.

During the period [REDACTED] through [REDACTED] you show income in the amount of \$[REDACTED]. You have also stated that \$[REDACTED] of this amount was received from non-member income.

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.

Code	Initiator	Reviewer	Reviewer	Reviewer	Reviewer	Reviewer
Surname	[REDACTED]	[REDACTED]	[REDACTED]			
Date	7-24-90	7-25-90	8/1/90			

Section 1.501(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 nonprofitable purposes, but does not apply to any club if any part of its net earning 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 revenue from members through the use of club facilities or in connection with club activities.
- (b) A club which engaged in business, such as taking 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.

Public Law 94-568 as explained in Senate Report No. 94-1318, published in Cumulative Bulletin 1976-2, page 597, provides that a club exempt from taxation and described in section 501(c)(7) is to be permitted to receive up to 35 percent of its gross receipts from a combination of investment income and receipts from non-members (from the use of its facilities or services) so long as the latter do not represent more than 15 percent of the total receipts. It is further stated that if an organization exceeds these limits, all of the facts and circumstances must be considered in determining whether the organization qualifies for exempt status.

Revenue Ruling 71-421, 1971-2 C.B., 22, concerns a national dog club that is limited to owners of a specific purebred dog. The club provides facilities and trainers for the conduct of obedience classes. Classes are conducted for members and their dogs in sporting and show events. Trial competitions are held and judges evaluate the performance of the dogs. An annual dog show is conducted by the organization under the auspices of the national club. This revenue ruling holds that this organization is organized and operated primarily for the benefit, pleasure and recreation of its members and qualifies for exemption under section 501(c)(7) as long as its non-member income falls within the 15 percent limit allowed by this section.

[REDACTED]

Unlike the organization cited in Revenue Ruling 71-421, your organization appears to have almost [REDACTED] percent of its income coming from non-member sources. Therefore, on the basis of the evidence submitted, we hold that you do not qualify for exemption since your income from non-member sources exceeds the limits permitted by section 501(c)(7).

Since you do not qualify for exemption under this section, you are a taxable entity and are required to file federal income tax returns on Form 1120.

If you do not agree with our determination, you may request consideration of this matter by the Office of Regional Director of Appeals. To do this, you should file a written appeal as explained in the enclosed Publication 892. Your appeal should give the facts, laws and any other information to support your position. If you want a hearing, please request it when you file your appeal and you will be contacted to arrange a date. The hearing may be held at the regional office, or, if you request, at any mutually convenient district office. If you will be represented by someone who is not one of your principal officers, that person will need to file a power of attorney or tax information authorization with us.

If you do not appeal this determination within 30 days from the date of this letter, as explained in Publication 892, this letter will become our final determination on this matter.

Sincerely yours,

[REDACTED]

[REDACTED]
District Director

Enclosure: Publication 892