



leased to the country club to continue operations. The real estate development process should be completed within the 10-year time frame. As soon as the real estate process is complete, it is the intention of the developers to pass control of the country club to the members. The voting members are stockholders of the two corporations they are developing the real estate subdivided and country club through a partnership by the name of Plantation 6000, Inc.

Section 501(c)(7) of the Code provides an exemption to clubs organized for pleasure, recreation, and other non-profit purposes, substantially all of the activities of which are for such purposes and no part of the net earnings of which inures to the benefit of any private shareholder.

The Regulations provide that, in general, this exemption extends to social and recreation clubs which are supported wholly by members' dues, fees, 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 56-208, 1958-2 Cumulative Bulletin 205, holds that an organization controlled by a few active voting members with many non-voting members whose only rights are to use the club's facilities is not a tax exempt social club within the meaning of Section 501(c)(7) of the Code.

Revenue Ruling 78-48, 1978-1 Cumulative Bulletin 135, holds that a social club whose active voting members pay substantially lower dues than non-voting members and members who own shares, the voting members about 4 to 1, does not qualify for exemption under Section 501(c)(7) of the Code.

Revenue Ruling 66-147, 1966-1 Cumulative Bulletin 147, holds that a club which contemplates that clubs falling within the scope of Section 501(c)(7) of the Code are designed primarily to provide for the pleasure and recreation of members. These activities may be supported by funds obtained from members' work or dues, assessments, and payment for the use of club facilities. However, to the extent that income is derived from non-member sources, it inures to the benefit of the members. If such activities are other than social, athletic, or recreational, it is considered that they are not activities of a purpose exempt under Section 501(c)(7).

Revenue Ruling 78-48, 1978-1 Cumulative Bulletin 135, holds that a social club formed and controlled by a taxable corporation and qualified as a social club under Section 501(c)(7) of the Code.

Revenue Ruling 66-160, 1966-2 Cumulative Bulletin 160, holds that where a club is created and controlled by a business corporation and operated to serve the business and financial interests of the business corporation, the club is not qualified for tax exemption under Section 501(c)(7) of the Code.

Revenue Ruling 66-281, 1966-1 Cumulative Bulletin 281, provides that where a club membership is automatic with membership in a business, there is no recorded evidence that entitles the club president to membership, all members

[REDACTED]

have equal voting rights, and the developer is not involved in the operation, maintenance or management of the facilities, such a club is entitled to exemption under section 501(c)(7) of the Code.

Your club is the creature of the developer, controlled by the developer through the [REDACTED] voting members, and will be retained by the developer to serve the business interest of the developer. Also, your letter of [REDACTED] presents information that supports a conclusion that the developer, not the members, is underwriting the current operating losses of the club and thereby contributing to the benefit of the members. Your President stated that "we (implying the three voting members representing the developer) feel that we should have control over the amount of funds being spent on the anxiety club while it is in a deficit position." Based on the information presented, you are not operating as a membership "club" within the contemplation of section 501(c)(7), and Revenue Ruling 69-511, but are operating in an adjunct as a business organization.

Accordingly, we conclude that you do not qualify for exemption under section 501(c)(7) of the Code, or any other section of the Code and should be filing income tax returns on Form 1120.

If you do not agree with these conclusions, you may, within 30 days from the date of this letter, file a brief of the facts, law and reasons that clearly sets forth your position. If you desire oral discussion of the issues, please indicate this in your protest. The enclosed information provides instructions for filing a protest.

If you do not file a protest with this office within 30 days of the date of this letter, this proposed determination will become final.