

Internal Revenue Service

Department of the Treasury

District
Director

450 Golden Gate Ave., Box 36020
San Francisco, Calif. 94102

Person to Contact:

Telephone Number:

Refer Reply to:

Date

EIN: [REDACTED]

Gentlemen:

Based on the findings from the National Office, we have considered your application for exemption from Federal income tax as an organization described in section 501(c) (7) of the Internal Revenue Code of 1954.

The information presented indicates that [REDACTED] was organized on [REDACTED]. [REDACTED], in its By-laws, states that its primary purpose is to educate, aid and assist [REDACTED] computer owners and enthusiasts. In furtherance of supplies (disks, paper, etc.), to arrange for speakers and presentations by various vendors in the computer industry on programming, software and new products, and to provide an environment of fellowship whereby members can share experience and knowledge on using computers.

[REDACTED] has represented that its only business activity consists of buying materials (diskettes, paper and other computer supplies) in bulk and making them available to its membership at a substantially reduced price. The organization also publishes a monthly newsletter which accounts for less than one percent of gross receipts. A newsletter submitted by [REDACTED] shows that numerous computer vendors have been represented at programs offered by [REDACTED]. The newsletter further states that organization's monthly programs have been possible because of the efforts of these vendors, and that members have been afforded purchasing discounts from ten to twenty percent.

Section 501(c) (7) of the Code provides, in part, for the exemption from Federal income tax of clubs organized for pleasure, recreation, or other non-profitable purposes, substantially all of the activities of which are for such purposes.

A review of the information submitted does not support the view that [REDACTED] is carrying on social and recreational activities which would allow for exemption under section 501(c) (7) of the Code.

[REDACTED]'s relationship with the various computer vendors does not appear to contribute to the promotion of social and recreational activities amongst its membership. On the contrary, the relationship appears to contribute to the promotion of the business of these vendors. The facts show that [REDACTED] has sought to obtain quantity discounts on computer supplies, that the organization has provided a forum whereby the vendors could promote and sell their

products, and that [REDACTED]'s products, and that [REDACTED]'s monthly programs have been possible because of these vendors, and that members have been afforded purchasing discounts from ten to twenty percent.

The sum total of the facts and circumstances show that the organization is not organized primarily for social and recreational purposes, but rather serves primarily as a forum from which various computer vendors are allowed to promote their products, supplies and equipment.

[REDACTED] is engaged in activities or has purposes and objectives which are other than social and recreational, and thus does not qualify as an organization described in section 501(c)(7) of the Internal Revenue Code.

Accordingly, we hold that you are not entitled to exemption from the Federal income tax as an organization described in section 501(c)(7) of the Code. You are required to file income tax returns annually.

Sincerely yours,

District Director

Enclosures:

Publication 892
National Office Tech. Advice

INTERNAL REVENUE SERVICE

NATIONAL OFFICE TECHNICAL ADVICE MEMORANDUM

District Director
San Francisco, California

Taxpayer's Name: [REDACTED]
Taxpayer's Address: [REDACTED]
Taxpayer's Identification Number: [REDACTED]
Years Involved: [REDACTED] to present
Date of Conference: None Held

Legend

X = [REDACTED]

Issue:

Whether the subject organization is engaged in activities or has purposes and objectives which are other than social and recreational, and thus does not qualify as an organization described in section 501(c)(7) of the Internal Revenue Code.

Facts:

X, in its By-Laws, states that its primary purpose is to educate, aid and assist [REDACTED] computer owners and enthusiasts. In furtherance of its purposes, X seeks to obtain for its membership, quantity discounts for supplies (disks, paper, etc.); to arrange for speakers and presentations by various vendors in the computer industry on programming, software and new products; and to provide an environment of fellowship whereby members can share experience and knowledge on using computers.

X has represented that its only business activity consists of buying materials (diskettes, paper and other computer supplies) in bulk and making them available to its membership at a substantially reduced price. X also publishes a monthly newsletter which accounts for less than one percent of gross receipts. A newsletter submitted by X shows that numerous computer vendors have been represented at programs offered by X. The newsletter further states that X's monthly programs have been possible because of the efforts of these vendors, and that members have been afforded purchasing discounts from ten to twenty percent.

Law:

Section 501(c)(7) of the Code provides, in part, for the exemption from federal income tax of clubs organized for pleasure, recreation, or other non-profitable purposes, substantially all of the activities of which are for such purposes.

Discussion:

A review of the information submitted does not support the view that X is carrying on social and recreational activities which would allow for exemption under section 501(c)(7) of the Code.

X's relationship with the various computer vendors does not appear to contribute to the promotion of social and recreational activity amongst its membership. On the contrary, the relationship appears to contribute to the promotion of the business of these vendors. The facts show that X has sought to obtain quantity discounts on computer supplies; that X has provided a forum whereby the vendors could promote and sell their products; and that X's monthly programs have been possible because of these vendors, and that members have been afforded purchasing discounts from ten to twenty percent.

The sum total of the facts and circumstances show that X is not organized primarily for social and recreational purposes, but rather serves primarily as a forum from which various computer vendors are allowed to promote their products, supplies and equipment.

Conclusion:

X is engaged in activities or has purposes and objectives which are other than social and recreational, and thus does not qualify as an organization described in section 501(c)(7) of the Internal Revenue Code.



Code	Initiator	Reviewer	Reviewer	Reviewer	Reviewer	Reviewer	Reviewer
Surname							
Date	8/8/85	8/9/85					