

Rev. Rul. 80-130, 1980-1 C.B. 117

ISSUE AND FACTS

A social club exempt from federal income tax under section 501(c)(7) of the Internal Revenue Code pays a fixed fee to each club member who brings a new member into the club.

HOLDING

Such fixed fee payments to members, if they are reasonable compensation for performance of a necessary administrative service, do not result in inurement of the club's net earnings so as to disqualify the club from exemption under section 501(c)(7) of the Code.