



Department of the Treasury
Internal Revenue Service
Tax Exempt and Government Entities

Date: June 28, 2021

Taxpayer ID number:

Form:

Tax periods ended:

Number: 202240023
Release Date: 10/7/2022

Person to contact:
Name:
ID number:
Telephone:
Fax:

UIL: 501.07-00

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

Dear :

Why we are sending you this letter

This is a final determination that you don't qualify for exemption from federal income tax under Internal Revenue Code (IRC) Section 501(a) as an organization described in IRC Section 501(c)(7), for the tax periods above. Your determination letter dated , is revoked.

Our adverse determination as to your exempt status was made for the following reasons: You have not established that you are operated substantially for pleasure and recreation of your members or other nonprofitable purposes and no part of the earnings inures to the benefit of any private shareholder within the meaning of IRC Section 501(c)(7). You have exceeded the non-member income test for tax years ending and

Organizations that are not exempt under IRC Section 501 generally are required to file federal income tax returns and pay tax, where applicable. For further instructions, forms and information please visit www.irs.gov.

What you must do if you disagree with this determination

If you want to contest our final determination, you have 90 days from the date this determination letter was mailed to you to file a petition or complaint in one of the three federal courts listed below.

How to file your action for declaratory judgment

If you decide to contest this determination, you may file an action for declaratory judgment under the provisions of IRC Section 7428 in one of the following three venues: 1) United States Tax Court, 2) the United States Court of Federal Claims or 3) the United States District Court for the District of Columbia.

Please contact the clerk of the appropriate court for rules and the appropriate forms for filing an action for declaratory judgment by referring to the enclosed Publication 892, How to Appeal an IRS Determination on Tax-Exempt Status. You may write to the courts at the following addresses:

United States Tax Court
400 Second Street, NW
Washington, DC 20217

U.S. Court of Federal Claims
717 Madison Place, NW
Washington, DC 20439

U.S. District Court for the District of Columbia
333 Constitution Ave., N.W.
Washington, DC 20001

Processing of income tax returns and assessments of any taxes due will not be delayed if you file a petition for declaratory judgment under IRC Section 7428.

Information about the IRS Taxpayer Advocate Service

The IRS office whose phone number appears at the top of the notice can best address and access your tax information and help get you answers. However, you may be eligible for free help from the Taxpayer Advocate Service (TAS) if you can't resolve your tax problem with the IRS, or you believe an IRS procedure just isn't working as it should. TAS is an independent organization within the IRS that helps taxpayers and protects taxpayer rights. Contact your local Taxpayer Advocate Office at:

Internal Revenue Service
Taxpayer Advocate Office

Or call TAS at 877-777-4778. For more information about TAS and your rights under the Taxpayer Bill of Rights, go to taxpayeradvocate.irs.gov. Do not send your federal court pleading to the TAS address listed above. Use the applicable federal court address provided earlier in the letter. Contacting TAS does not extend the time to file an action for declaratory judgment.

Where you can find more information

Enclosed are Publication 1, Your Rights as a Taxpayer, and Publication 594, The IRS Collection Process, for more comprehensive information.

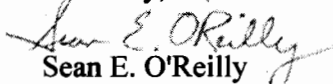
Find tax forms or publications by visiting www.irs.gov/forms or calling 800-TAX-FORM (800-829-3676).

If you have questions, you can call the person shown at the top of this letter.

If you prefer to write, use the address shown at the top of this letter. Include your telephone number, the best time to call, and a copy of this letter.

Keep the original letter for your records.

Sincerely,



Sean E. O'Reilly

Director, Exempt Organizations Examinations

Enclosures:

Publication 1
Publication 594
Publication 892



**Department of the Treasury
Internal Revenue Service
Tax Exempt and Government Entities**

Date:
March 12, 2021
Taxpayer ID number:

Form:

Tax periods ended:

Person to contact:
Name:
ID number:
Telephone:
Fax:
Address:

Manager's contact information:
Name:
ID number:
Telephone:
Response due date:

CERTIFIED MAIL – Return Receipt Requested

Dear _____ :

Why you're receiving this letter

We enclosed a copy of our audit report, Form 886-A, Explanation of Items, explaining that we propose to revoke your tax-exempt status as an organization described in Internal Revenue Code (IRC) Section 501(c)(7).

If you agree

If you haven't already, please sign the enclosed Form 6018, Consent to Proposed Action, and return it to the contact person shown at the top of this letter. We'll issue a final adverse letter determining that you aren't an organization described in IRC Section 501(c)(7) for the periods above.

After we issue the final adverse determination letter, we'll announce that your organization is no longer eligible to receive tax deductible contributions under IRC Section 170.

If you disagree

1. Request a meeting or telephone conference with the manager shown at the top of this letter.
2. Send any information you want us to consider.
3. File a protest with the IRS Appeals Office. If you request a meeting with the manager or send additional information as stated in 1 and 2, above, you'll still be able to file a protest with IRS Appeals Office after the meeting or after we consider the information.

The IRS Appeals Office is independent of the Exempt Organizations division and resolves most disputes informally. If you file a protest, the auditing agent may ask you to sign a consent to extend the period of limitations for assessing tax. This is to allow the IRS Appeals Office enough time to consider your case. For your protest to be valid, it must contain certain specific information, including a statement of the facts, applicable law, and arguments in support of your position. For specific information needed for a valid protest, refer to Publication 892, How to Appeal an IRS Determination on Tax-Exempt Status.

Fast Track Mediation (FTM) referred to in Publication 3498, The Examination Process, generally doesn't apply now that we've issued this letter.

4. Request technical advice from the Office of Associate Chief Counsel (Tax Exempt Government Entities) if you feel the issue hasn't been addressed in published precedent or has been treated inconsistently by the IRS.

If you're considering requesting technical advice, contact the person shown at the top of this letter. If you disagree with the technical advice decision, you will be able to appeal to the IRS Appeals Office, as explained above. A decision made in a technical advice memorandum, however, generally is final and binding on Appeals.

If we don't hear from you

If you don't respond to this proposal within 30 calendar days from the date of this letter, we'll issue a final adverse determination letter.

Contacting the Taxpayer Advocate Office is a taxpayer right

The Taxpayer Advocate Service (TAS) is an independent organization within the IRS that can help protect your taxpayer rights. TAS can offer you help if your tax problem is causing a hardship, or you've tried but haven't been able to resolve your problem with the IRS. If you qualify for TAS assistance, which is always free, TAS will do everything possible to help you. Visit www.taxpayeradvocate.irs.gov or call 877-777-4778.

For additional information

You can get any of the forms and publications mentioned in this letter by visiting our website at www.irs.gov/forms-pubs or by calling 800-TAX-FORM (800-829-3676).

If you have questions, you can contact the person shown at the top of this letter.

Sincerely,

Sean O'Reilly by lm

Sean E. O'Reilly
Director, Exempt Organizations
Examinations

Enclosures:
Form 886-A
Form 6018
Form 4621-A
Pub 892
Pub 3498

Form 886-A	Department of the Treasury – Internal Revenue Service Explanations of Items	Schedule number or exhibit
Name of taxpayer	Tax Identification Number (last 4 digits)	Year/Period ended

ISSUE

Whether _____ continue to qualify for exemption under IRC (IRC) § 501(c)(7)?

FACTS

A compliance examination for the year ending _____ and _____ for the return form _____ Short Form Return was conducted for _____ (hereinafter, "EO", "Taxpayer", "Organization"). The _____ is exempt as an organization described in IRC § 501(c)(7) to provide social, recreational and other activities to its members. The relevant facts apply. "). The _____ was incorporated in the State of _____ on _____. The organization received its exemption in _____ by submitting form _____ exemption application.

Certificate of Incorporation:

Per the organizing documents the purpose for which this _____ is formed are to awaken an interest in the history and genealogy of families surnamed _____ (including all Variations in the orthography of the name); of affording an opportunity for the presentation of papers etc. which may interest its members and encourage further research; of recording whatever is honorable in the lives of past and present generations of extending the advantages of friendly intercourse; of renewing and perpetuating the principles of spiritual and mental freedom for which our ancestors stood.

Constitution:

The objective of the _____ is to research and record genealogical data from all sources pertaining to the _____ ; to report such information in papers read before the _____ ; and to publish such information in pamphlet or book form for distribution to the membership or to other genealogical societies thus perpetuating the story of the ancestors of the _____ and their contribution to the history of the _____ and other parts of the World.

Exemption application:

The EO was approved for exemption under IRC code section 501(c)(7) and the determination letter was dated _____

return:

The EO form _____ for _____ was received on _____. The return reflected _____ on line L of the form and _____ for Investment income Line 4 of section Part I. The form _____ was filed for the year ending _____ on _____. On Part I of the _____ under Revenue _____ was reported for Investment income on line 4 and _____ was reported on line 9 for total revenue.

Form 886-A	Department of the Treasury – Internal Revenue Service Explanations of Items	Schedule number or exhibit
Name of taxpayer	Tax Identification Number (last 4 digits)	Year/Period ended

Examination:

On _____ the EO was mailed Letter 3611 informing the organization that a correspondence audit was opened on the year ending _____. A phone interview was conducted on _____ with the Treasurer of the EO. During the phone interview the EO was asked. What is the primary source of income for the organization? The EO stated Investment accounts. The EO is a membership organization that members pay a _____ dollar one-time payment for lifetime or they can pay _____ dollars every _____ years. In response to the First IDR request the EO provided a membership application on _____, page _____ of the application has a written statement that “ The National Organization is maintained by the membership dues and by an Endowment Fund, which pays about _____ of the operating expenses. The Endowment Fund continues to grow through donations and Investments.” Form 4564 was mailed to the EO on _____, informing the EO the audit is be expanded to include the year ending _____. **(Exhibit 1 Membership application pg.2)**

Books and Records:

EO provided year end statements of Financial accounts and spreadsheets for all accounts. From the review of books and records the dividend income was overstated for both years under examination. The EO counted the qualified dividends separately from the ordinary dividends. EO has _____ Investment accounts with the investment objective of growth and income for _____ and the objective change to growth in _____. **(see Exhibits at conclusion of report. Exhibit 2 Investment accounts _____, Exhibit 3 Investment accounts _____ and Exhibit 4 Investment accounts _____.)** The chart below is Gross receipts for years under examination.

Gross Receipts for Year-ending _____	
Net Publication Income	_____
Membership dues	_____
Investment Income (Dividends, Interest, Capital Gains, Partnership Income)	_____
Donation from member	_____
Total Gross receipts	_____
Investment Income percentage	= _____ %

Gross Receipts for Year-ending _____	
Net Publication Income	_____
Membership Dues	_____
Investment Income (Dividends, Interest, Capital Gains, Partnership Income)	_____
Total Gross receipts	_____
Investment Income percentage	= _____ %

Form 886-A	Department of the Treasury – Internal Revenue Service Explanations of Items	Schedule number or exhibit
Name of taxpayer	Tax Identification Number (<i>last 4 digits</i>)	Year/Period ended

LAW:

IRC § 501(c)(7) 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 not part of the net earnings of which inures to the benefit of any private shareholder.

Section 1.501(c)(7) of the Regulations provides that, in general, the exemption extends to social and recreation clubs supported solely by membership fees, dues and assessments. However, a club that engages in a business, such as making its social and recreational facilities open 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).

Prior to its amendment in 1976, IRC § 501(c)(7) required that social clubs be operated exclusively for pleasure, recreation and other non-profitable purposes. Public Law 94-568 amended the "exclusive" provision to read "substantially" in order to allow an IRC § 501(c)(7) organization to receive up to 35 percent of its gross receipts, including investment income, from sources outside its membership without losing its tax exempt status. The Committee Reports for Public Law 94-568 (Senate Report No. 94-1318 2d Session, 1976-2 C.B. 597) further states;

(a) Within the 35 percent amount, not more than 15 percent of the gross receipts should be derived from the use of a social club's facilities or services by the general public. This means that an exempt social club may receive up to 35 percent of its gross receipts from a combination of investment income and receipts from non-members, so long as the latter do not represent more than 15 percent of total receipts.

(b) Thus, a social club may receive investment income up to the full 35 percent of its gross receipts if no income is derived from non-members' use of club facilities.

(c) In addition, the Committee Report states that where a club receives unusual amounts of income, such as from the sale of its clubhouse or similar facilities, that income is not to be included in the 35 percent formula.

Rev. Rul. 66-149, 1966-1 C.B. 146 States a social club is not exempt from Federal income tax as an organization described in section 501(c)(7) of the Internal Revenue Code of 1954 where it regularly derives a substantial part of its income from nonmember sources such as, for example, dividends and interest on investments which it owns. However, a club's right to exemption under section 501(c)(7) of the Code is not affected by the fact that for a relatively short period a substantial part of its income is derived from investment of the proceeds of the sale of its former clubhouse pending the acquisition of a new home for the club.

TAXPAYER'S POSITION

Taxpayer's position has not been provided.

Form 886-A	Department of the Treasury – Internal Revenue Service Explanations of Items	Schedule number or exhibit
Name of taxpayer	Tax Identification Number (last 4 digits)	Year/Period ended

GOVERNMENT’S POSITION

Based on the examination, the organization does not qualify for exemption as a social club described in IRC §501(c)(7) and Treas. Reg. §1.501(c)(7) which provides that in general, this exemption extends to social and recreation clubs which are supported solely by membership fees, dues, and assessments.

Rev. Rul. 66-149 support this position stating that a social club where it regularly derives a substantial part of its income from nonmember sources such as dividends and interest on investments which it owns, is not exempt as an organization described in 501(c)(7).

The EO Investment income as stated on the membership application that the Endowment fund pays about _____ of the operating expenses. When asked in interview what is the EO main support the EO stated the investments. For the year ending _____ the investment income percentage was _____ % and, in the year, ending _____ the investment income percentage was _____ %. The investment income is from _____ different investment portfolios that are both invested in growth and income objectives, showing the purpose for the investments are to support the organization. The organization has exceeded the _____ % of its gross receipts threshold of investment income as outlined in Public Law 94-568, on a recurring basis during tax years ending _____ and _____.

Accordingly, it is proposed that the _____ tax exempt status be revoked effective _____.

CONCLUSION

_____ no longer qualifies for exemption under § 501(c)(7) of the Code as your investment income has exceeded the _____ % investment income threshold on a continuous basis. Therefore, it is proposed that your exempt status under § 501(c)(7) of the Code be revoked effective _____.

Should this revocation be upheld, Form _____ must be filed starting with tax periods ending _____ and _____.