



Department of the Treasury
Internal Revenue Service
Tax Exempt and Government Entities
P.O. Box 2508
Cincinnati, OH 45201

Date:
10/23/2023
Employer ID number:

Form you must file:
1120

Tax years:
All

Person to contact:

Release Number: 202403014
Release Date: 1/19/2024
UIL Code: 501.07-00

Dear :

This letter is our 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). Recently, we sent you a proposed adverse determination in response to your application. The proposed adverse determination explained the facts, law, and basis for our conclusion, and it gave you 30 days to file a protest. Because we didn't receive a protest within the required 30 days, the proposed determination is now final.

You must file the federal income tax forms for the tax years shown above within **30 days** from the date of this letter unless you request an extension of time to file. For further instructions, forms, and information, visit www.irs.gov.

We'll make this final adverse determination letter and the proposed adverse determination letter available for public inspection after deleting certain identifying information, as required by IRC Section 6110. Read the enclosed Letter 437, Notice of Intention to Disclose - Rulings, and review the two attached letters that show our proposed deletions. If you disagree with our proposed deletions, follow the instructions in the Letter 437 on how to notify us. If you agree with our deletions, you don't need to take any further action.

If you have questions about this letter, you can call the contact person shown above. If you have questions about your federal income tax status and responsibilities, call our customer service number at 800-829-1040 (TTY 800-829-4933 for deaf or hard of hearing) or customer service for businesses at 800-829-4933.

Sincerely,

Stephen A. Martin
Director, Exempt Organizations
Rulings and Agreements

Enclosures:
Letter 437
Redacted Letter 4034
Redacted Letter 4038



Department of the Treasury
Internal Revenue Service
PO Box 2508
Cincinnati, OH 45201

Date: 08/23/2023

Employer ID number:

Person to contact:

Name:

ID number:

Telephone:

Fax:

Legend:

B = Date of Formation

C = State of Formation

D = Website

E = Related Entity

UIL:

501.07-00

Dear :

We considered your application for recognition of exemption from federal income tax under Internal Revenue Code (IRC) Section 501(a). We determined that you don't qualify for exemption under IRC Section 501(c)(7). This letter explains the reasons for our conclusion. Please keep it for your records.

Issues

Do you qualify for exemption under IRC Section 501(c)(7)? No, for the reasons stated below.

Facts

You were incorporated on B in the state of C. Your initial activity was the development of a technical approach to recommending matching relationships. You provide the means for members to find strong, long-lasting relationships based on technology. Members will pay a subscription fee to you; in return, you will provide matching recommendations of other members for a desired relationship. You attested that you have regular meetings, gatherings, and commingling.

You state your specific objectives and purposes are: (1) to develop a method of recommending matching relationships using machine learning; (2) to develop an online infrastructure to support members in finding matching relationships; (3) to maintain and operate the online matching infrastructure as a continued means for new and existing members to find matching relationships; (4) to engage in other activities related to recommending matching relationships using

You provide dating and matchmaking services using a website called D. Your mission is to provide improved, low-cost services recommending matching relationships. Your scientific research to advance to the of is performed by a named E.

To become a member, one must create an account and provide billing information. New members will answer survey questions about themselves and provide a facial photo to for the match-making process. Your common goal and interests between your members is to find a strong, long-lasting relationship. You accomplish this by recommending matches between members to pursue face-to-face contact. You advertise to recruit members by: (1) an aggressive Search Engine Optimization (SEO) strategy that includes in-depth keyword research and evaluation of the D website structure and content; (2) targeted Search Engine Marketing (SEM) spend to highlight highest priority keywords, with ongoing refocusing of resources as the SEO effort takes hold; (3) Launch a D Facebook page with a schedule of regular posts throughout the launch period. As data is accumulated on which post characteristics generate the greatest engagement, selected posts will be boosted to key target audiences.

Members will receive matching services with their subscriptions. You recommend matches with other members base on scientifically proven methods. Members may request a recommended match or request recommended matches on a periodic basis such as once a week. Members interact and commingle through face-to-face personal contact with takes place in one-on-one interactions in the locality of the members. Subscription fees are purchased for a period of time and do not start or stop with recommended matches. Members will be eligible for membership only if they: (1) are at least eighteen years old, (2) are single or separated from their partner, (3) you are not required to register as sex offender with any state, federal or local sex offender registry, (4) do not have more than one account on your services.

You state you differ from similar for-profit organizations because your subscriptions fees will be less than competitors once you receive your exemption and your matching services are based on scientifically proven methods. However, your application indicates that you have only received gifts, grants and contributions in the form of income. Your expenses have included general administrative expenses, purchase of website domains, and other expenses related to your exempt purposes which you did not specify.

Law

IRC Section 501(c)(7) provides for exemption for clubs organized for pleasure, recreation, and other nonprofitable 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.

Treasury Regulation Section 1.501(c)(7)-1(b) states in part that a club which engages in business, such as making its social and recreational facilities available to the general public, or other products, is not organized and operated for pleasure, recreation, and other nonproftable purposes. 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.

Rev. Rul. 58-588, 1958-2 C.B. 265, holds that an organization, formed by several individuals to operate a health, recreational, and social club but whose predominant activity is the selling of services for profit to an unlimited number of so-called "members," who have no voice in the management of the club and whose only rights are to the use of the club's facilities upon the payment of specified fees, is not a tax-exempt social club within the meaning of IRC Section 501(c)(7). In distinguishing members from non-members, the ruling notes that certain members may not be true members but are instead merely a guise under which virtually unlimited number of individuals may utilize the club's facilities. As a result, the organization's income amounted to merely transactions with the general public.

Rev. Rul. 58-589, 1958-2 C.B. 266, discusses the various criteria for recognition of exemption under IRC Section 501(c)(7). The ruling states that in making a determination whether an organization comes within the provisions of Section 501(c)(7), all facts pertaining to its form of organization, method of operation and activities should be considered. An organization must establish (1) that it is a club both organized and operated for pleasure, recreation and other nonprofitable purposes and (2) that no part of its net earnings inures to the benefit of any private shareholder or individual. To meet the first requirement, there must be an established membership of individuals, personal contacts and fellowship. A commingling of the members must play a material part in the life of the organization.

Rev. Rul. 69-635, 1969-2 C.B. 126, holds that an automobile club whose principal activity is rendering automobile services to its members but has no significant social activities, does not qualify for exemption under IRC Section 501(c)(7). The ruling indicates most of the services offered are of a type generally available to motorists on a commercial basis, and the rendition of such services is not in the nature of pleasure or recreation within the meaning of the statute.

Rev. Rul. 70-32, 1970-1 C.B. 132, holds that a flying club providing economical flying facilities for its members but having no organized social and recreation program doesn't qualify for exemption under IRC Section 501(c)(7). The sole activity of the club involved the ownership, operation, and maintenance of the aircraft for use by the members, and there was little commingling among members for social or recreational purposes. For the club to be exempt, the ruling explains that there must be an established membership of individuals, personal contacts, and fellowship. Also, commingling of members must play a material part in the organization's activities. This organization's sole activities consisted of rendering flying services to its members, and there was no significant commingling of its members.

Rev. Rul. 74-30, 1974-1 C.B. 137, holds exempt under IRC Section 501(c)(7) a flying club of limited membership that provided flying privileges solely for its members, assessed dues based on the club's fixed operating costs, and charged fees based on variable operating expenses. The organization's members were interested in flying for a hobby, constantly commingled in informal meetings, and had constant person-to-person association.

Application of law

IRC Section 501(c)(7) provides for exemption of clubs organized for pleasure, recreation, and other non-profitable purposes, substantially all the activities of which are for such purposes. There must be an established membership of individuals whose common objective is directed towards pleasure and recreation. The commingling of members actively working towards that objective must play a material part in the life of a social club. You fail to meet these requirements as described below.

As described in Treas. Reg. Sec. 1.501(c)(7)-1(b), substantially all of your activities are not for pleasure, recreation, and other non-profitable purposes under IRC Section 501(c)(7). Your principal activity is to provide a low-cost matchmaking service to the general public on a subscription basis. The service you provide is similar to for-profit entities that conduct similar services. You have not provided any evidence that you conduct or provide social activities to members yourself as you encourage your members to do so of their own accord, after they avail themselves of your service. In addition, your members are also not considered bona fide members. You have not provided that your members have any voting rights, or any other authority to indicate that members have input in directing club business or activities. Their only relationship with you is the receipt of services that are not in the nature of pleasure, recreation and other non-profitable purposes within the meaning

of Section 501(c)(7). Because you are primarily engaged in the business of selling services to the general public for a fee and your membership is merely a guise to allow an unlimited number of individuals to use your match making services to generate income from transactions with the general public, therefore, you do not qualify for exemption under Section 501(c)(7). See Rev. Rul. 55-588 and Rev. Rul. 69-635.

As provided in the rulings above, the commingling of members through organized personal contact, must play a material part in the activities of a club described under IRC Section 501(c)(7). When an organization fails to have material commingling among its members, it will not qualify for exemption under IRC Section 501(c)(7). Based on the information you have provided, there is no material commingling between your members since they don't participate in any organized social or recreational programs or group activities. Your only interactions are between two individuals who received a dating match. Therefore, you do not qualify for exemption under Section 501(c)(7). See Rev. Rul. 58-589, Rev. Rul. 70-32 and Rev. Rul. 74-30.

Conclusion

Based on the information you have provided you do not qualify for exemption under IRC Section 501(c)(7). Substantially all of your activities are not geared toward pleasure, recreation, and other non-profitable purposes because you are engaged in the business of selling services to the general public. You do not have a bona fide membership, do not meet the traditional requirements to be considered a club and there is no consistent commingling and personal contact amongst your members for social and recreational purposes. Therefore, exemption is not granted to you under Section 501(c)(7).

If you agree

If you agree with our proposed adverse determination, you don't need to do anything. If we don't hear from you within 30 days, we'll issue a final adverse determination letter. That letter will provide information on your income tax filing requirements.

If you don't agree

You have a right to protest if you don't agree with our proposed adverse determination. To do so, send us a protest within 30 days of the date of this letter. You must include:

- Your name, address, employer identification number (EIN), and a daytime phone number
- A statement of the facts, law, and arguments supporting your position
- A statement indicating whether you are requesting an Appeals Office conference
- The signature of an officer, director, trustee, or other official who is authorized to sign for the organization or your authorized representative
- The following declaration:

For an officer, director, trustee, or other official who is authorized to sign for the organization:

Under penalties of perjury, I declare that I have examined this request, or this modification to the request, including accompanying documents, and to the best of my knowledge and belief, the request or the modification contains all relevant facts relating to the request, and such facts are true, correct, and complete.

Your representative (attorney, certified public accountant, or other individual enrolled to practice before the IRS) must file a Form 2848, Power of Attorney and Declaration of Representative, with us if they haven't already done so. You can find more information about representation in Publication 947, Practice Before the IRS and Power of Attorney.

We'll review your protest statement and decide if you gave us a basis to reconsider our determination. If so, we'll continue to process your case considering the information you provided. If you haven't given us a basis for reconsideration, we'll send your case to the Appeals Office and notify you. You can find more information in Publication 892, How to Appeal an IRS Determination on Tax-Exempt Status.

If you don't file a protest within 30 days, you can't seek a declaratory judgment in court later because the law requires that you use the IRC administrative process first (IRC Section 7428(b)(2)).

Where to send your protest

Send your protest, Form 2848, if applicable, and any supporting documents to the applicable address:

U.S. mail:

Internal Revenue Service
EO Determinations Quality Assurance
Mail Stop 6403
PO Box 2508
Cincinnati, OH 45201

Street address for delivery service:

Internal Revenue Service
EO Determinations Quality Assurance
550 Main Street, Mail Stop 6403
Cincinnati, OH 45202

You can also fax your protest and supporting documents to the fax number listed at the top of this letter. If you fax your statement, please contact the person listed at the top of this letter to confirm that they received it.

You can get 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 listed at the top of this letter.

Contacting the Taxpayer Advocate Service

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 if 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.

Sincerely,

Stephen A. Martin
Director, Exempt Organizations
Rulings and Agreements