



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

[Redacted]

[Redacted]

Release Number: 202625025  
 Release Date: 6/18/26  
 UIL Code: 501.03-00

Date: December 10, 2025  
 Taxpayer ID number (last 4 digits): [Redacted]  
 Form: [Redacted]  
 Tax periods ended: [Redacted]  
 Person to contact:  
 Name: [Redacted]  
 ID number: [Redacted]  
 Telephone: [Redacted]  
 Fax: [Redacted]  
 Last day to file petition with United States Tax Court:  
 March 10, 2026

**CERTIFIED MAIL - Return Receipt Requested**

Dear [Redacted]:

**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 [Redacted] is revoked.

Our adverse determination as to your exempt status was made for the following reasons: Exempt organizations under IRC Section 501(c)(7) are limited to 35% of its gross receipts from outside its membership, including all non-member income and investment income. Additionally, no more than 15% of gross receipts can come from non-members' use of a club's facilities or services. Your organization regularly derives a substantial part of its income from non-member sources, such as, rental income and billboard advertising income. To be more specific, in the period under examination, your organization generated approximately % of its income from investments and/or non-members. Therefore, your organization does not qualify for exemption from federal income tax as an organization described in IRC Section 501(c)(7).

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 [IRS.gov](https://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 can file an action for declaratory judgment under the provisions of Section 7428 of the Code in either:

- The United States Tax Court,
- The United States Court of Federal Claims, or
- The United States District Court for the District of Columbia

You must file a petition or complaint in one of these three courts within 90 days from the date we mailed this determination letter to you. You can download a fillable petition or complaint form and get information about filing at each respective court's website listed below or by contacting the Office of the Clerk of the Court at one of the addresses below. Be sure to include a copy of this letter and any attachments and the applicable filing fee with the petition or complaint.

You can eFile your completed U.S. Tax Court petition by following the instructions and user guides available on the Tax Court website at [ustaxcourt.gov/dawson.html](http://ustaxcourt.gov/dawson.html). You will need to register for a DAWSON account to do so. You may also file your petition at the address below:

**United States Tax Court**  
400 Second Street, NW  
Washington, DC 20217  
[ustaxcourt.gov](http://ustaxcourt.gov)

The websites of the U.S. Court of Federal Claims and the U.S. District Court for the District of Columbia contain instructions about how to file your completed complaint electronically. You may also file your complaint at one of the addresses below:

**US Court of Federal Claims**  
717 Madison Place, NW  
Washington, DC 20439  
[usefc.uscourts.gov](http://usefc.uscourts.gov)

**US District Court for the District of Columbia**  
333 Constitution Avenue, NW  
Washington, DC 20001  
[dcd.uscourts.gov](http://dcd.uscourts.gov)

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.

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 if 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. Visit [TaxpayerAdvocate.IRS.gov/contact-us](http://TaxpayerAdvocate.IRS.gov/contact-us) or call 877-777-4778 (TTY/TDD 800-829-4059) to find the location and phone number of your local advocate. Learn more about TAS and your rights under the Taxpayer Bill of Rights at [TaxpayerAdvocate.IRS.gov](http://TaxpayerAdvocate.IRS.gov). Do not send your Tax Court petition to TAS. Use the Tax Court address provided earlier in the letter. Contacting TAS does not extend the time to file a petition.

**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 [IRS.gov/forms](http://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.

You may fax your documents to the fax number shown above, using either a fax machine or online fax service. Protect yourself when sending digital data by understanding the fax service's privacy and security policies.

Keep the original letter for your records.

Sincerely,



Lynn A. Brinkley  
Director, Exempt Organizations Examinations

Enclosures:  
Publication 1  
Publication 594  
Publication 892



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

[REDACTED]

[REDACTED]

Date: July 25, 2025  
Taxpayer ID number: [REDACTED]  
Form: [REDACTED]  
Tax periods ended: [REDACTED]  
Person to contact:  
Name: [REDACTED]  
ID number: [REDACTED]  
Telephone: [REDACTED]  
Fax: [REDACTED]  
Manager's contact information:  
Name: [REDACTED]  
ID number: [REDACTED]  
Telephone: [REDACTED]  
Response due date:  
August 27, 2025

**CERTIFIED MAIL – Return Receipt Requested**

Dear [REDACTED]:

**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.

**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](http://www.taxpayeradvocate.irs.gov) or call 877-777-4778.

**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](http://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,

A solid black rectangular box redacting the signature of the sender.

**Enclosures:**

Forms 886-A and 6018  
Publication 892 and 3498

Form <b>886-A</b> (May 2017)	Department of the Treasury - Internal Revenue Service <b>Explanation of Items</b>	Schedule number or exhibit
Name of taxpayer	Tax Identification Number (last 4 digits)	Year/Period Ended

**ISSUE:**

Whether ( ) continues to qualify for exemption under Internal Revenue Code Section (IRC) 501(c)(7) for the tax year ending ?

**FACTS:**

was incorporated in and located in . The organization is registered as a nonprofit with the State of . According to the articles of incorporation, the organization's purpose is "

submitted Form 1024, Application for Recognition of Exemption on , requesting exemption under IRC Section 501(c)(7) as a social club. The Form 1024 was received by the Service Center on . The Form 1024 submittal includes a copy of the Articles of Incorporation and bylaws.

's principal activity is to provide gatherings of over members of the to celebrate various cultural events. They provide space for meetings, festival gatherings, and social events. allows guests of members to attend and participate in their activities.

is a nonprofit organized under the Law. The purpose of the corporation is to engage in any lawful act or activity for which a corporation may be organized under such law. Such purposes for which this corporation is formed are pleasure, recreation, and other non-profitable purposes. The corporation is organized exclusively for such purposes within the meaning of Section 501(c)(7) of the Internal Revenue Code of 1986. The organization's bylaws were executed on

Determination letter 948 was issued by the office on was granted exemption under IRC Section 501(c)(7) as a social club. is required and filed Form 990, Return of Organization Exempt from Income Tax, and Form 990-T, Exempt Organization Business Income Tax Return, for the tax year ending

filed Form 990-EZ, Return of Organization Exempt from Income Tax (Short Form), on , for the tax year ending , reporting investment income on Part I, Line 4 in the amount of \$ and billboard advertising on Part I, Line 8 in the amount of \$

During the interview and tour of their facilities conducted on , President, explained that the reported investment income on Form 990-EZ Part I, Line 4 in the amount of \$ represents the received revenue from rental income for tenant occupied units and on Part I, Line 8 in the amount of \$ represents billboard advertising. provided supporting documentation substantiating the rental income.

The table below reports the nonmember income gross receipts from Forms 990-EZ for fiscal years (FYs) through , used in calculating the limits on nonmember income.

Form <b>886-A</b> (May 2017)	Department of the Treasury - Internal Revenue Service <b>Explanation of Items</b>	Schedule number or exhibit
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**LAW:**

IRC Section 501(c)(7), in part, provides for the exemption from federal income tax of clubs organized for pleasure, recreation, and other non-profitable purposes, substantially all 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.

IRC Section 511(a), in part, provides for the imposition of tax on the unrelated business taxable income (as defined in IRC Section 512) of social clubs described in IRC Section 501(c)(7).

IRC Section 512(a)(1) defines the term "unrelated business taxable income" means the gross income derived by any organization from any unrelated trade or business (as defined in Section 513) regularly carried on by it, less allowable deductions which are directly connected with the carrying on of such trade or business.

IRC Section 512(a)(3) provides that all income, other than "exempt function income," is subject to the tax on unrelated trade or business.

IRC Section 512(a)(3)(B) provides that the term "exempt function income" means the gross income from dues, fees, charges or similar amounts paid by members of the organization as consideration for providing such members or their dependents or guests, goods, facilities, or services in furtherance of the purposes constituting the basis for the exemption of the organization to which such income is paid.

IRC Section 513 states that the term "unrelated trade or business" means, in the case of any organization subject to the tax imposed by IRC Section 511, any trade or business the conduct of which is not substantially related to the exercise or performance by such organization of its charitable function constituting the basis for its exemption under IRC Section 501.

Form <b>886-A</b> (May 2017)	Department of the Treasury - Internal Revenue Service <b>Explanation of Items</b>	Schedule number or exhibit
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Public Law 94-568 provides that social clubs are permitted to receive up to \_\_\_\_\_ of their gross receipts from sources outside of their membership, including investment income, without losing their tax-exempt status. Within that \_\_\_\_\_, not more than \_\_\_\_\_ of gross receipts should be derived from the use of a social club's facilities or services by the general public.

**Case Law**

In *Skillman Family Reunion Fund, Inc. v. United States*, 196 F. Supp. 2d 543, 546 (N.D. Ohio 2002), decision clarified and superseded, No. 3:00 CV 7500, 2002 WL 824811 (N.D. Ohio Apr. 25, 2002), the organization's exempt status was revoked because 100 % of its income was investment income.

In *Polish American Club, Inc. v. Commissioner*, T.C. Memo 1974-207 (1974), the court decided that the club is not qualified for exemption under 501(c)(7) of the Code because its non-member income was substantial, recurring and that it was not operated exclusively for pleasure, recreation, and other non-profit purposes.

**Treasury Regulation (Treas. Reg.)**

Treas. Reg. 1.501(c)(7)-1 states that the conduct of business activities, including public use of a club's social and recreational facilities, is incompatible with exemption. Treas. Reg. 1.501(c)(7)-1 provides that Section 501(c)(7) organizations must be operated exclusively for pleasure, recreation or other non-profitable purposes, and it hasn't been updated to reflect the changes made by P.L. 94-568.

**Revenue Rulings**

Rev. Rule. 58-589, 1958-2 C.B. 266, states that a business activity will defeat exemption, unless it is incidental, trivial or nonrecurrent. The Service has interpreted incidental, trivial, or nonrecurrent to mean insubstantial for this purpose.

Rev. Rul. 66-149, 1966-1 C.B. 146, holds that a social club is not exempt as an organization described in IRC 501(c)(7) where it regularly derives a substantial part of its income from nonmember sources such as, for example, dividends and interest on investments it owns.

**TAXPAYER'S POSITION:**

The organization was given an opportunity to open prior years for examination to allow \_\_\_\_\_ an opportunity to demonstrate that the tax year ending \_\_\_\_\_, was an anomaly, however, the organization declined the opportunity to expand the scope of audit to prior years because they conceded the tax year ending \_\_\_\_\_ was not an anomaly but a usual year. We reviewed the reported income on the organization's form 990 for the periods ending \_\_\_\_\_, and \_\_\_\_\_. Our analysis shows that \_\_\_\_\_ has failed the Nonmember Income Test, and the \_\_\_\_\_ Nonmember use of Facilities Test as \_\_\_\_\_ substantially exceeded the \_\_\_\_\_ limitations for exemption under Public Law 94-568. Therefore, expanding the audit will not serve a useful purpose because the examination will show the organization received nonmember income more than \_\_\_\_\_ for each prior year. As a result, our issues are still applicable and will not change our determination. \_\_\_\_\_ agreed and executed Form 6018 on \_\_\_\_\_, to affirm their position.

**GOVERNMENT'S POSITION:**

According to Public Law 94-568 the organization is permitted to receive up to \_\_\_\_\_ of their gross receipts from sources outside of their membership, including investment income, without losing their tax-exempt status. Within that \_\_\_\_\_, not more than \_\_\_\_\_ of gross receipts should be derived from the use of a social club's facilities or services by the general public.

Form <b>886-A</b> (May 2017)	Department of the Treasury - Internal Revenue Service <b>Explanation of Items</b>	Schedule number or exhibit
Name of taxpayer	Tax Identification Number (last 4 digits)	Year/Period Ended

On \_\_\_\_\_, \_\_\_\_\_, President, confirmed that the reported investment income on Form 990-EZ Part I, Line 4 in the amount of \$ \_\_\_\_\_ represents the received revenue from rental income for tenant occupied units and on Part I, Line 8 in the amount of \$ \_\_\_\_\_ represents billboard advertising.

In the period ending \_\_\_\_\_, \_\_\_\_\_ received total nonmember and investment income of \$ \_\_\_\_\_ out of total gross receipt of \$ \_\_\_\_\_, which equates to \_\_\_\_\_ failed the Nonmember Income Test, as \_\_\_\_\_ received over \_\_\_\_\_ which substantially exceeds the \_\_\_\_\_ of their gross receipts, including investment income (rental income) & billboard advertising, which are sources outside their member income. Furthermore, \_\_\_\_\_ failed the Nonmember use of Facilities Test, as \_\_\_\_\_ received over \_\_\_\_\_ of nonmember income which substantially exceeds the \_\_\_\_\_ limitation. \_\_\_\_\_ does not meet the \_\_\_\_\_ limitations for exemption under Code Section 501(c)(7) Operational Requirements.

Rev. Rul. 66-149, 1966-1 C.B. 146, holds that a social club is not exempt as an organization described in IRC 501(c)(7) where it regularly derives a substantial part of its income from nonmember sources such as, for example, dividends and interest on investments it owns. \_\_\_\_\_ regularly derives a substantial part of its income from nonmember sources, such as, rental income and billboard advertising income.

Therefore, the exempt status of \_\_\_\_\_ should be revoked effective \_\_\_\_\_ 's filing requirement should be Form 1120, U.S. Corporation Income Tax Return, for the future years.

**CONCLUSION:**

\_\_\_\_\_ 's investment and advertising (billboard) income is not infrequent. \_\_\_\_\_ receives excessive investment and advertising income. The income is considered substantial as it exceeds the amounts allowed by law of a qualifying IRC Section 501(c)(7) organization, specifically, Public Law 94-568.

\_\_\_\_\_ regularly derives a substantial part of its income from nonmember sources, such as, rental income and billboard advertising income and the EO's failure of \_\_\_\_\_ limitations requirements of IRC Section 501(c)(7) is grounds for revocation of the EO's tax-exempt recognition. Therefore, it has been determined that \_\_\_\_\_ does not qualify for exemption from federal income tax as an organization described in Code Section 501(c)(7) because it does not meet the \_\_\_\_\_ limitations for exemption under Code IRS Section 501(c)(7) Operational Requirements.

\_\_\_\_\_ no longer qualifies for exemption under IRC Section 501(c)(7), effective \_\_\_\_\_ Form 1120 returns should be filed for the tax periods ending \_\_\_\_\_, and all subsequent years.