



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

Date:
03/27/2026
Employer ID number:

Form you must file:

Tax years:

Person to contact:

Release Number: 202625027
Release Date: 6/18/26
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

Date:
02/03/2026
Employer ID number:

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

Legend:

B = State
C = Date
D = Team
E = League
v dollars = Gift
x dollars = Gift
y hours = Time
z dollars = Donation

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 under the law of state B on date C. Your Articles of Incorporation state that you provide financial assistance to D baseball players and you have no members.

You originally stated that you had no Bylaws, and that officers are selected each year by a majority vote of the boosters. Booster members are defined as those who have volunteered significant time and/or money (current y hours or z dollars) to the team as recognized by the team manager and current president. Boosters can vote on who serves as your president and are allowed free entry into home games. There is no application requirement to become a booster, if anyone wishes to become a member, one will only need to approach a current member and inquire. However, you later clarified and provided additional information and a copy of standard Bylaws you adopted which indicate that you have only one class of bona fide members that consist only of your officers and directors and they must be willing and able to assist with fundraising. You state there are no additional levels of membership; boosters are only individuals from the public who donate to you.

Your application indicates your activities include the following:

- Provide funding to the unpaid team members of the D baseball team, which is an unaffiliated baseball team in the E league. The goal is to provide at least v dollars a week per player to cover living expenses and gas so that they can afford to play on the team. Funds are handed directly to players at the close of the last game each week at their playing field by your organization president. The vast majority of funds go to this activity, and it is funded by donations.
- Maintain the team van used to transport players to away games. This work is done for free by your president with help from any skilled team members.
- Annual team dinner with host families at the start of each season where players and host families can meet one another. This activity is important to maintain booster members and build team mentality. This takes place at your president's home, who funds this out of his personal funds.
- Production of team promotional materials. This includes a team program, schedule, and solicitation letters to individuals and business. All profits from the sale of programs go directly to the team members.
- Direct public solicitation of funds. This takes up approximately a quarter of your total time spent on your activities. This represents the prime mechanism of getting funds to donate to the players' expenses.
- Working at a donations table at home games where you sell raffle tickets, have a box for direct donations, and ask for additional host families. This takes up half of your total time. The president, other booster members, and team members all share this duty. This gains awareness of the team, the club, and provides ongoing funding during the season to help pay the players. Note: no funds are retained season to season. All funds received are distributed to the players with the ultimate goal of funding them at x dollars per week.

Your application indicates that you do not have formal membership dues. As long as someone's donation exceeds the z dollar threshold, they can at least become a booster member. Otherwise, any donations are considered donations for the team. The financial data provided shows that all income is derived from gifts, grants, and contributions and almost all income is expended as contributions paid to the players. Because of how your membership is structured, you further indicate in the application that there is no non-member income received by you.

Law

IRC Section 501(c)(7) of the Internal Revenue Code provides for the exemption from Federal income tax of clubs organized and operated exclusively for pleasure, recreation, and other non-profitable purposes, substantially all of the activities of which are for such purposes and no part of the net earnings inures to the benefit of any private shareholder.

Treasury Regulation Section 1.501(c)(7)-1(a) states that the exemption provided by IRC Section 501(a) for an organization described in Section 501(c)(7) applies only to clubs which are organized and operated exclusively for pleasure, recreation, and other non-profitable purposes, but does not apply to any club if any part of its net earnings inure to the benefit of any private shareholder. In general, this exemption extends to social and recreation clubs which are supported solely by membership fees, dues and assessments. However, a club otherwise entitled to exemption will not be disqualified because it raises revenue from members through the use of the club facilities or in connection with club activities.

Treas. Reg. Section 1.501(c)(7)-1(b) states that a club which engages in business, such as making its social and recreational facilities available to the general public or by selling real estate, timber or other products, is not organized and operated exclusively for pleasure, recreation and other non-profitable purposes, and is not exempt

under IRC Section 501(a). Solicitation by advertisement or otherwise for public patronage of its facilities is prima facie evidence that the club is engaging in business and not being operated exclusively for pleasure, recreation, or a social purpose.

Revenue Ruling 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 basis for this conclusion is the fact that the club had no significant commingling of its members.

Rev. Rul. 70-32, 1970-1 C.B. 132 states a flying club providing economical flying facilities for its members, but having no organized social and recreational program, did not qualify for exemption because the sole activity of the club was rendering services to its individual members, and there was no significant comingling of its members.

Public Law 94-568, 1976-2 C.B. 596, changed the language of IRC Section 501(c)(7) from “operated exclusively for” to “substantially all” allowing Section 501(c)(7) organizations to receive some outside income without losing their exempt status. Explaining the new law, Senate Report 94-1318 noted that it is intended that these organizations be permitted to receive up to 35 percent of their gross receipts, including investment income, from sources outside of their membership without losing their tax-exempt status. It is also intended that within this 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.

Application of law

You do not meet the operational test for exemption. Based on the information provided, since you are formed primarily for the purpose of assisting financially members of the D, a baseball team, and not to provide pleasure, recreation specifically to your members as required in IRC Section 501(c)(7). Even though you have members, and raising funds from outside your membership does not necessarily disqualify you from exemption, because you do not receive a substantial amount of your income from membership fees, dues and assessments, but rather from direct solicitation of funds from the public as well as from the sale of promotional materials, this is a feature that is too large to ignore to grant exemption under this section. See Treas. Regs. Section 1.501-(c)(7)-1(a) and 1.501(c)(7)-1(b).

You are similar to the organizations described in Rev. Rul. 69-635 and Rev. Rul. 70-32 because you lack the comingling requirement for organizations exempt under IRC Section 501(c)(7). While there may be a social aspect of your activities as you work to support the players of D, you are not formed for the purpose of providing a social and recreational purpose of your membership and the activities you conduct are not ultimately for the benefit of your members. You have not provided any documentation to indicate that you conduct planned, formal activities for the benefit of your members, which consist of just the members of your board and not members of the baseball team.

In addition, you state in your application that you are not supported by membership dues, fees, or assessments from your membership and that your income is mostly generated from sources outside of your membership through your fundraising efforts and sale of promotional items. Because of this, you fail the membership income tests set forth by the Committee Reports on Public Law 94-568. The financial information submitted with your application highlights that you consistently fail to meet the 35%/15% requirement for organizations exempt under IRC Section 501(c)(7).

Conclusion

In summary, you do not satisfy the operational requirements to be recognized as exempt under IRC Section

501(c)(7). Based on the information provided, while you may conduct activities that on the surface appear to be for pleasure and a recreational purpose, these activities are not ultimately designed for the benefit of your membership, and you do not meet the non-member income requirement necessary for exemption. Therefore, you do not qualify for exemption 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