



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

Date:  
04/14/2026  
Employer ID number:

Form you must file:

Tax years:

Person to contact:

Release Number: 202628012  
Release Date: 7/10/26  
UIL Code: 501.07-00, 501.07-05

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](http://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.

We sent a copy of this letter to your representative as indicated in your power of attorney.

Sincerely,

Stephen A. Martin  
Director, Exempt Organizations  
Rulings and Agreements

Enclosures:  
Letter 437  
Redacted Letter 4034  
Letter 4038

cc:



**Department of the Treasury  
Internal Revenue Service**

**Date:**  
02/26/2026  
**Employer ID number:**

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

**Legend:**

B = Date  
C = Year  
D = State  
E = Organization  
F = Name  
z percent = % amount

**UIL:**  
501.07-00  
501.07-05

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 incorporated on B, in the state of D and operate as the E.

You are a membership organization, and you conduct the following activities for members:

- Annual F Parade (your main event)
- Coronation party
- Float viewing and loadings
- Costume distribution
- Member socials: rock-n-bowl, crawfish boil, Halloween party
- Charitable drives (e.g., hurricane relief, Ukraine support)

You indicated that non-members may not attend members events, except as personal guests. Furthermore, you stated that you also conduct gaming activities, which are open to the general public.

You indicated that all gaming activities run consecutively with one another during each bingo game. Pull tabs are sold before and during the bingo game, raffle entry tickets are distributed during the first two bingo games. The total number of hours you expect to carry out gaming activities is 12 hours per month, and you will not use volunteers for these activities.

Based on your financial data, z percent of your gross receipts for tax year C was from your bingo games. When comparing the prior two tax years, z percent is the average gross receipts you derive from your bingo games. You stated that the revenue from bingo is not accounted or reported based on member or non-member status as the bingo games are open to the public. You only keep records of the number of participants and not by their membership status.

You indicated that the use of gaming funds to date have been limited to paying for parade videos and donations for Thanksgiving food baskets. The remaining funds are used to upgrade your fleet of parade floats and pay for more bands in next year's parade.

#### **Law**

IRC Section 501(c)(7) exempts 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 no part of the net earnings of which 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 organizations described in IRC 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 inures 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.

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 is not being operated exclusively for pleasure, recreation, or social purposes. However, an incidental sale of property will not deprive a club of its exemption.

Revenue Ruling 58-589, 1958-2 C.B. 266, sets forth the criteria for exemption under IRC Section 501(c)(7), and provides that a club may lose its exemption if it makes its facilities available to the general public. A club will not be denied exemption merely because it receives income from the general public provided such participation is incidental to and in furtherance of its general club purposes. To retain exemption a club must not enter into outside activities with the purpose of deriving profit. If such income producing activities are other than incidental, trivial or nonrecurrent, it will be considered that they are designed to produce income and will defeat exemption.

Rev. Rul. 66-149, 1966-1 C.B. 146, provides that a social club is not exempt from federal income tax as an organization described in IRC Section 501(c)(7) if it regularly derives a substantial part of its income from non-member sources. To the extent that income is derived from non-member sources, it inures to the benefit of the members. If such activities are other than incidental, trivial, or nonrecurrent, it is considered that they are intended to produce income and reflective of a purpose inconsistent with exemption under Section 501(c)(7).

Rev. Rul. 69-219, 1969-1 C.B. 153, holds that a social club that regularly holds its golf course open to the general public, charging established green fees that are used for maintenance and improvement of club facilities, is not exempt under IRC Section 501(c)(7).

Rev. Rul. 69-220, 1969-1 C.B. 154, holds that a social club that receives a substantial portion of its income from the rental of property and uses such income to defray operating expenses and to improve and expand its facilities is not exempt under IRC Section 501(c)(7). This club is not exempt from federal income tax under Section 501(c)(7) because it is regularly engaged in a business ordinarily carried on for profit and the net income from the activity is inuring to the members of the club.

Rev. Rul. 74-148, 1974-1 C.B. 138, states that an organization formed to provide bowling tournaments and recreational bowling competitions among its members qualifies for exemption under IRC Section 501(c)(7), where its overall program is designed to affect a commingling of members for their pleasure and recreation. Membership is by invitation only and all applicants are approved by the board of directors. This organization satisfies the requirements because of their social and recreational activities and established prerequisite conditions for its members to be recognized as a social club.

Revenue Procedure 71-17, 1971-1 C.B. 683, sets forth guidelines for determining the effect of gross receipts derived from non-member use of a social club's facilities on the club's exemption under IRC Section 501(c)(7) where recordkeeping requirements are described. Section 4.03 describes the information, with respect to all other occasions involving use by non-members, the club must maintain in its books and records of each such use and the amount derived therefrom. Further, Section 4.04 states that failure to maintain such records or make them available for examination will preclude use of the minimum gross receipts standard.

In Aviation Club of Utah v. C.I.R., 7 T.C. 377 (1946), the Tax Court found non-member income that generates net profits for the organization and results in benefits to members for which they did not pay constitutes inurement and can cause loss of tax-exempt status for a social club.

In Pittsburgh Press Club v. United States, 615 F. 2d 600 (1980), the court found that a substantial portion of the club's total gross receipts was from non-member use of club facilities (determined to be between 11-17 percent of gross income). This showed the court that the club was engaged in business with the general public. Other factors noted by the court to consider in addition to the level of non-member income include the purposes for which the club's facilities were made available to non-member groups, the frequency of use of the club facilities by non-members, and the amount of net profits derived from the non-member income.

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**

IRC Section 501(c)(7) and Treas. Reg. Section 1.501(c)(7)-1(a) set forth that organizations must be organized and operated exclusively for pleasure, recreation, and other nonprofitable purposes, and no part of the net earnings inure to the benefit of any private shareholder. Furthermore, 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 is not organized or operated exclusively for pleasure, recreation, and other nonprofitable purposes.

Public Law 94-568 explains that IRC Section 501(c)(7) organizations are 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. Furthermore, it is 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. Additionally, Rev. Proc. 71-17 sets forth guidelines for determining the effect of gross receipts derived from non-member use of a social club's facilities on the club's exemption under Section 501(c)(7) where recordkeeping requirements are described.

Based on your financial data, z percent of your gross receipts for tax year C was from your bingo games, which is consistent for the prior two tax years as well. You failed to provide sufficient information on your gross receipts derived from your bingo games. You stated you do not keep records to differentiate between members and non-members in your bingo games; you only keep records for the number of participants. The failure to maintain such records or make them available for examination precludes you from using the minimum gross receipts standard. Furthermore, we cannot determine if your gross receipts, including investment income, from sources outside of your membership, exceed 35 percent. Moreover, we cannot determine if more than 15 percent of your gross receipts are derived from the use of your social club's facilities or services by the general public.

You are like the organizations described in Rev. Rul. 58-589 and Rul. 66-149 because although a club may receive some income from the general public, your non-members' activities cannot be more than incidental. Based on the information provided, on average z percent of your gross receipts per year come from your bingo games which are open to the general public and you do not keep records to differentiate between member and non-member participation. Your bingo games are substantial, non-trivial, and recurrent.

You are like the organizations described in Rev. Rul. 69-219 and Rev. Rul. 69-220 because you provide services to the general public and use the income generated from the activity to inure members of your club. You use the gaming funds to pay for parade videos, upgrade your fleet of parade floats, and pay for more bands in next year's parade. Furthermore, your bingo games are a business ordinarily carried on for profit.

You are unlike the organization described in Rev. Rul. 74-148, which qualified for exemption under IRC Section 501(c)(7). In this ruling, the organization's activities were limited to its members and designed to affect a commingling of members for their pleasure and recreation. You open your gaming activities to the general public, and you do not maintain adequate records.

You are like the organizations described in Pittsburgh Press Club and in Aviation Club of Utah because your gross receipts received from non-members generates net profits for you and results in benefits to your members for which they did not pay. This constitutes inurement to your members.

### **Conclusion**

You failed to demonstrate you are organized and operated exclusively for pleasure, recreation and other nonprofitable purposes. Based on your financial data, z percent of your gross receipts for tax year C was from your bingo games, which is consistent for the prior two tax years as well. You open your gaming activities for the general public and you do not keep adequate records. The failure to maintain such records or make them available for examination precludes you from using the minimum gross receipts standard. Furthermore, we cannot determine if your gross receipts, including investment income, from sources outside of your membership, exceed 35 percent. Moreover, we cannot determine if more than 15 percent of your gross receipts are derived from the use of your social club's facilities or services by the general public. Additionally, your bingo games are a business ordinarily carried on for profit and constitute inurement to your members. Thus, you do not qualify for tax exemption under IRC 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](http://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](http://www.taxpayeradvocate.irs.gov) or call 877-777-4778.

We sent a copy of this letter to your representative as indicated in your power of attorney.

Sincerely,

Stephen A. Martin  
Director, Exempt Organizations  
Rulings and Agreements