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

Date:
04/29/2026
Employer ID number:

Form you must file:

Tax years:

Person to contact:
Name:
ID number:
Telephone:

Release Number: 202630017
Release Date: 7/24/26
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.

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

IRS

Date:
03/02/2026

Employer ID number:

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

UIL:
501.07-00
501.07-05

Legend:
B = Date
C = State
D = Entity
e dollars = Dollars
f dollars = Dollars
G = Event
H = Event
J = Event
x percent = Percent

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 in B on C. Your Articles of Incorporation state that your purpose is:

- To advance the breeding of dogs and to disseminate knowledge regarding the same,
- To encourage and foster dog shows, exhibitions and matches, and
- To protect the interests of breeders and- owners, and secure legislation favorable to them.

Regular (eighteen years of age and older) and Junior (between the ages of eight and eighteen) memberships are open to all persons who are in good standing with D and subscribe to your purposes. You conduct monthly membership meetings where you discuss fundraising events, obedience classes for 4-h members, and fun dog walks with the community.

Each year you provide pictures with Santa in front of a Christmas backdrop and provide pictures with the Easter Bunny in front of an Easter backdrop to allow pet owners to have memorable pictures of their pets. At both of these events you charge e dollars for a single pet, or f dollars for multiple pets. These activities are open to the general public and are intended to recruit pet owners to become new members or to make donations to your club.

You host G annually, where you provide demonstrations of various dog sports such as agility, scent work, therapy, obedience, rally and conformation. You have a booth at the H providing demonstrations of various dog sports such as scent work, therapy, obedience, rally and confirmation, and also provide information about your club and your national club. You also host your J annually, where you provide demonstrations of various dog sports such as scent work, therapy, obedience, rally, hide and seek with rats and conformation. The general public is invited to attend classes that are offered. At the J you also have an amateur dog show featuring, biggest, smallest, best trick, furriest, smoothest coat, best dog costume, and best handler and dog combo. The general public is invited to attend each of these events and may also attend obedience, rally, scent work, agility, therapy or confirmation classes that are offered by local trainers at these events.

You receive your funds from entry fees to dog sporting events and pictures sales. You state that you do not keep a record of how much of your income comes from members as opposed to non-members, but you indicate that most of the funds are received from non-members and estimate that x percent of your gross receipts are received from nonmembers for use of club facilities and/or attendance at club events. The majority of your expenses are for booth and equipment rentals, facility rentals, and printing.

Law

IRC Section 501(c)(7) exempts from federal income tax, 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(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 nonprofitable purposes, 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 nonprofitable purposes.

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.

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 IRC 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) provide for exemption of clubs organized and operated for pleasure, recreation, and other non-profitable purposes. There must be an established membership of individuals whose common objective is directed towards pleasure and recreation, and whose dues, fees, and assessments constitute the primary support for the club. The commingling of members actively working towards that objective must also play a substantial part in the existence of the club. You fail to meet these requirements as described below.

As described in Treas. Reg. Section 1.501(c)(7)-1(b), when a club engages in business it is not organized and operated exclusively for pleasure, recreation, and other nonprofit purposes. As further described in Rev. Rul. 58-589, although a club may receive some income from the general public, your dog show and raffle activities are more than incidental and, therefore, preclude exemption under IRC Section 501(c)(7).

A substantial portion of your income is generated from business done with the general public. By receiving x percent of your revenue from non-members, you fall outside the non-member income limit discussed in Senate Report 94-1318. You do not meet the facts and circumstances exception for this income limit as your dog show and raffle activities are regular and substantial.

Conclusion
Based on the information you have provided you do not qualify for exemption under IRC Section 501(c)(7). You receive an amount of non-member gross revenue more than the 35% limit discussed in Senate Report 94-1318.

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