

[REDACTED]

[REDACTED]  
[REDACTED]  
[REDACTED]

SEP 08 1983

Gentlemen:

We have considered your application for recognition of exemption from Federal income tax under section 501(c)(4) of the Internal Revenue Code.

The information submitted indicates that you were formed and your By-Laws were approved on [REDACTED]. Your stated purposes were "for the benefit of the club members by way of party's, trips, outings, and just a good time with the other members, also to give a scholarship to a youth, and to have our own facilities. The club's facilities will only be open to members or their dependents or guests." Your By-Laws were amended and approved [REDACTED] to state "The main purpose of the club is to benefit the community and the surrounding area, as for establishing a 'scholarship fund' for a youth or youths, and also civic betterment and social improvements."

You state that your club is a non-profit association which periodically has events, parties, etc., to raise money to provide scholarships to deserving high school seniors. You further state that all funds collected are for this purpose.

You indicate that you have no membership qualifications, and that membership in the club is open to the public. You currently have twelve members, and you used to have dues, but they were delated to build up the membership. You state that nonmembers are allowed to attend all fund raising functions.

You state that you receive cash and checks at your functions, and that these funds are your basis for financial support. Your expenditures are for food, beverages, such as liquor and soft drinks, supplies, such as paper cups, paper plates, etc., and for raffle tickets. You also make payments on some stereo equipment. You indicate that you do not have any facilities of your own, but you rent facilities for your functions.

You contribute to Boy Scouts, give dinners to senior citizens and register people to vote. The scholarship that you give is made directly to the school, and the school selects the student to receive the award.

Code	Initiator	Reviewer	Reviewer	Reviewer	Reviewer	Reviewer	Reviewer
		[REDACTED]					
Surname		[REDACTED]					

[REDACTED]

Your calendar of events include dances, picnics, fashion shows, dinner banquet, and the club Christmas party.

You applied for tax exemption under section 501(c)(7) of the Internal Revenue Code on [REDACTED]; however, you did not submit requested information and did not establish tax exempt status under that section of the Code.

Section 501(c)(4) of the Internal Revenue Code provides exemption for:

"Civic Leagues or organizations not organized for profit but operated exclusively for the promotion of social welfare..."

Section 1.501(c)(4)-1(a)(2)(i) of the Income Tax Regulations provides that:

"An organization is operated exclusively for the promotion of social welfare if it is primarily engaged in promoting in some way the common good and general welfare of the people of the community. An organization embraced within this section is one which is operated primarily for the purpose of bringing about civic betterment and social improvements."

Section 1.501(c)(4)-1 of the regulations provides, in part, as follows:

"(a)(2)(i) An organization is operated exclusively for the promotion of social welfare if it is primarily engaged in promoting in some way the common good and general welfare of the people of the community. An organization embraced within this section is one which is operated primarily for the purpose of bringing about civic betterments and social improvements \*\*\* The promotion of social welfare does not include direct or indirect participation or intervention in political campaigns on behalf of or in opposition to any candidate for public office. Nor is an organization operated primarily for the promotion of social welfare if its primary activity is operating a social club for the benefit, pleasure, or recreation of its members, or is carrying on a business with the general public in a manner similar to organizations which are operated for profit.\*\*\*"

Revenue Ruling 74-298, 1974-1 Cumulative Bulletin 133, ruled that a nonprofit organization whose sole activity was devoted to the sponsorship of an annual professional golf tournament did not qualify for exemption under section 501(c)(4) of the Code. The organization in question was formed to provide recreation and entertainment for the citizens and visitors of the community. It was determined that the golf tournament was operated in a manner similar to a business for profit and did not qualify for exemption under section 501(c)(4).

Revenue Ruling 66-179, 1966-1, Cumulative Bulletin 139, states that if a substantial part of an organization's activities consists of social functions for the benefit, pleasure, and recreation of its members, it may qualify for exemption under section 501(c)(4) of the Code, if it is primarily engaged in social welfare.

Section 1.501(c)(4)-1(a)(2)(ii) of the regulations states that an organization will not qualify for exemption as a civic league under section 501(c)(4) of the Code if its primary activity is the operations of a social club.


Your estimated budget for [redacted] and [redacted] indicates income from dances, picnics and parties in the amounts of \$[redacted] and \$[redacted] respectively and your expenditures for social welfare purposes are \$[redacted] for each period. Even though you have some charitable and social welfare purposes, the amount expended for these purposes are minor in comparison to the amount expended for your social activities.

Based on the information presented, we have concluded that you do not meet the requirements for exemption as a social welfare organization or a civic league as described in section 501(c)(4) of the Code or any other subsection of the Code. You do not meet the qualifications for exemption under section 501(c)(7) of the Code since your income is received from the general public, and Regulations 1.501(c)(7)-1(b) states that solicitation of public patronage of facilities or activities, by advertising or otherwise, is prima facie evidence that a club is engaged in business and is not operated exclusively for pleasure, recreational or social purposes.

Accordingly, it is held that you are not entitled to exemption from Federal income tax as an organization described in section 501(c)(4) of the Code, and you are required to file income tax returns on Form 1120.

If you do not agree with these conclusions, you may, within 30 days from the date of this letter, file in duplicate a brief of the facts, law, and argument that clearly sets forth your position. If you desire an oral discussion of the issue, please indicate this in your protest. The enclosed Publication 892 gives instructions for filing a protest.

If you do not file a protest with this office within 30 days of the date of this report or letter, this proposed determination will become final.

  
If you agree with these conclusions or do not wish to file a written protest, please sign and return Form 6016 in the enclosed self-addressed envelope as soon as possible.

Sincerely,

  
District Director

Enclosures:  
Pub. 892  
Form 6016  
Pre-addressed Envelope