

200625042



TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
TE/GE: EO Examinations
625 Fulton Street, Room 503
Brooklyn, NY 11201

Date: 3-28-06
SE, T: ED

UR: 501. (b) - (5)

Taxpayer Identification Number:

Form:

Tax Year(s) Ended:

Person to Contact/ID Number:

Contact Numbers:

Telephone:

Fax:

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

Dear :

This is a final determination regarding your exempt status under section 501(c)(7) of the Internal Revenue Code (IRC). Recognition of your exemption from Federal income tax as an organization described in Internal Revenue Code section 501(c)(7) is retroactively revoked to because it is determined that you have not established that you are observing the conditions required for the continuation of an exempt status.

We previously provided you a report explaining the proposed revocation of your tax-exempt status. At that time, we informed you of your right to contact the Taxpayer Advocate, as well as your appeal rights. By signing Form 6018-A, *Consent to Proposed Action*, you indicated that you accept our determination to revoke your organization's exempt status.

We have determined that you fail to qualify for exempt status under any other subsection of IRC 501(c).

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You are required to file Federal income tax returns on Form 1120. These returns should be filed with the appropriate Service Center for all years beginning We have secured Form 1120-A for years ended

If you have any questions, please call the contact person at the telephone number shown in the heading of this letter.

Thank you for your cooperation.

Sincerely,

Marsha A. Ramirez
Director, EO Examinations

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TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

DEPARTMENT OF THE TREASURY
Internal Revenue Service
30 East 7th Street, Suite 1130B
St. Paul, MN 55101

Taxpayer Identification Number:

Form:

Tax Year(s) Ended:

Person to Contact/ID Number:

Contact Numbers:

Telephone:

Fax:

CERTIFIED MAIL – RETURN RECEIPT REQUESTED

Dear

We have enclosed a copy of our report of examination explaining why we believe an adjustment of your organization's exempt status is necessary.

If you do not agree with our position you may appeal your case. The enclosed Publication 3498, *The Examination Process*, explains how to appeal an Internal Revenue Service (IRS) decision. Publication 3498 also includes information on your rights as a taxpayer and the IRS collection process.

If you request a conference, we will forward your written statement of protest to the Appeals Office and they will contact you. For your convenience, an envelope is enclosed.

If you and Appeals do not agree on some or all of the issues after your Appeals conference, or if you do not request an Appeals conference, you may file suit in United States Tax Court, the United States Court of Federal Claims, or United States District Court, after satisfying procedural and jurisdictional requirements as described in Publication 3498.

Letter 3810 (04-2002)
Catalog Number 34801V

You may also request that we refer this matter for technical advice as explained in Publication 892, *Exempt Organization Appeal Procedures for Unagreed Issues*. If a determination letter is issued to you based on technical advice, no further administrative appeal is available to you within the IRS on the issue that was the subject of the technical advice.

If you accept our findings, please sign and return the enclosed Form 6018, *Consent to Proposed Adverse Action*. We will then send you a final letter modifying or revoking exempt status. If we do not hear from you within 30 days from the date of this letter, we will process your case on the basis of the recommendations shown in the report of examination and this letter will become final. In that event, you will be required to file Federal income tax returns for the tax period(s) shown above. File these returns with the Ogden Service Center within 60 days from the date of this letter, unless a request for an extension of time is granted. File returns for later tax years with the appropriate service center indicated in the instructions for those returns.

You have the right to contact the office of the Taxpayer Advocate. Taxpayer Advocate assistance is not a substitute for established IRS procedures, such as the formal appeals process. The Taxpayer Advocate cannot reverse a legally correct tax determination, or extend the time fixed by law that you have to file a petition in a United States court. The Taxpayer Advocate can, however, see that a tax matter that may not have been resolved through normal channels gets prompt and proper handling. You may call toll-free 1-877-777-4778 and ask for Taxpayer Advocate Assistance. If you prefer, you may contact your local Taxpayer Advocate at:

If you have any questions, please call the contact person at the telephone number shown in the heading of this letter. If you write, please provide a telephone number and the most convenient time to call if we need to contact you.

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Thank you for your cooperation.

Sincerely,

Enclosures:
Publication 892
Publication 3498
Form 6018
Report of Examination
Envelope

Letter 3610 (04-2002)
Catalog Number 34801V

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Form 886-A	EXPLANATION OF ITEMS	Schedule No. or Exhibit
Name of Taxpayer		Year/Period Ended

ISSUE: REVOCATION OF EXEMPT STATUS**FACTS:**

received exemption as an organization described in IRC 501(c)(7) in . During 2002 and the organization conducted bingo games that were open to the public. No records were kept of member and nonmember receipts. The officers stated that most of the bingo players were not members of the organization.

LAW & ARGUMENT:

Internal Revenue Code (IRC) section 501(c)(7) provides for the exemption from Federal income taxes for Social Clubs. Income Tax Regulation section 1.501(c)(7)-1 states that if a Social Club makes its social and recreational facilities available to the general public it will not qualify for tax-exempt status. However, Revenue Procedure 71-17 as amended by Public Law 94-568 provides certain gross receipts safe harbors; i.e. Social Clubs may receive up to 35% of their total gross receipts, including investment income, from sources outside of their membership without jeopardizing their tax-exempt status. Within this 35% limit, no more than 15% of a club's gross receipts may be derived from nonmember use of the club's facilities and/or services. If these standards are exceeded, a Social Club will not qualify for exemption pursuant to IRC section 501(c)(7).

Because no records are available to determine the amount of nonmember income and because of the statements by officers that most of the bingo players are not members, it must be concluded that more than 15% of the club's gross receipts are from sources outside the membership.

In summary, because the is open to the public and because its gross receipts from nonmember use of its facility exceed the allowed amounts, the organization no longer qualifies as an organization that is organized and operated as a Social Club as described in IRC section 501(c)(7). Revocation of their tax-exempt status is warranted, effective January 1, 2002.

TAXPAYER'S POSITION:

The taxpayer has submitted Forms 1120-A for the years and and paid the tax shown on those returns. This is an indication of agreement.

GOVERNMENT'S POSITION:

The taxpayer's exempt status should be revoked, effective the first day of

As a taxable entity, the organization is required to file Form 1120, U.S. Corporation Income Tax Return for the periods open under statute. Under

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Form 886-A

EXPLANATION OF ITEMS

Schedule No. or
Exhibit

Name of Taxpayer

Year/Period
Ended

6501(g) these periods include the years ending 12/31/2002 and 12/31/2003 and 12/31/2004 and 12/31/2005 and 12/31/2006 and 12/31/2007 and 12/31/2008 and 12/31/2009 and 12/31/2010 and 12/31/2011 and 12/31/2012 and 12/31/2013 and 12/31/2014 and 12/31/2015 and 12/31/2016 and 12/31/2017 and 12/31/2018 and 12/31/2019 and 12/31/2020 and 12/31/2021 and 12/31/2022 and 12/31/2023 and 12/31/2024 and 12/31/2025 and 12/31/2026 and 12/31/2027 and 12/31/2028 and 12/31/2029 and 12/31/2030 and 12/31/2031 and 12/31/2032 and 12/31/2033 and 12/31/2034 and 12/31/2035 and 12/31/2036 and 12/31/2037 and 12/31/2038 and 12/31/2039 and 12/31/2040 and 12/31/2041 and 12/31/2042 and 12/31/2043 and 12/31/2044 and 12/31/2045 and 12/31/2046 and 12/31/2047 and 12/31/2048 and 12/31/2049 and 12/31/2050 and 12/31/2051 and 12/31/2052 and 12/31/2053 and 12/31/2054 and 12/31/2055 and 12/31/2056 and 12/31/2057 and 12/31/2058 and 12/31/2059 and 12/31/2060 and 12/31/2061 and 12/31/2062 and 12/31/2063 and 12/31/2064 and 12/31/2065 and 12/31/2066 and 12/31/2067 and 12/31/2068 and 12/31/2069 and 12/31/2070 and 12/31/2071 and 12/31/2072 and 12/31/2073 and 12/31/2074 and 12/31/2075 and 12/31/2076 and 12/31/2077 and 12/31/2078 and 12/31/2079 and 12/31/2080 and 12/31/2081 and 12/31/2082 and 12/31/2083 and 12/31/2084 and 12/31/2085 and 12/31/2086 and 12/31/2087 and 12/31/2088 and 12/31/2089 and 12/31/2090 and 12/31/2091 and 12/31/2092 and 12/31/2093 and 12/31/2094 and 12/31/2095 and 12/31/2096 and 12/31/2097 and 12/31/2098 and 12/31/2099 and 12/31/2100