



TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
TE/GE EO EXAMINATIONS
1100 COMMERCE ST. MAIL CODE 4920 DAL
DALLAS, TEXAS 75242

501.07-00

Date: June 3, 2013

Number: **201338044**
Release Date: 9/20/2013

Taxpayer Identification Number:

LEGEND

ORG - Organization name
XX - Date Address - address

Form:

Tax Years Ended:

Person to Contact/ID Number:

ORG
ADDRESS

Contact Numbers:
Telephone:
Fax:

CERTIFIED MAIL – RETURN RECEIPT REQUESTED

Dear :

In a determination letter dated October 19, 19XX, you were held to be exempt from Federal income tax under section 501(c)(7) of the Internal Revenue Code (the Code).

Based on recent information received, we have determined you have not operated in accordance with the provisions of section 501(c)(7) of the Code. Accordingly, your exemption from Federal income tax is revoked effective January 1, 20XX. This is a final adverse determination letter with regard to your status under section 501(c)(7) of the Code.

We previously provided you a report of examination explaining why we believe revocation of your exempt status is necessary. At that time, we informed you of your right to contact the Taxpayer Advocate, as well as your appeal rights.

You are required to file Federal income tax returns for the tax periods shown above. If you have not yet filed these returns, please file them with the Ogden Service Center within 60 days from the date of this letter, unless a request for an extension of time is granted, or unless an examiner's report for income tax liability was issued to you with other instructions. 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 contact the person whose name and telephone number are shown at the beginning of this letter.

Sincerely,

Nanette M. Downing
Director, EO Examinations

Internal Revenue Service

Department of the Treasury
TE/GE Division
Mail Stop SF 7-4-01
450 Golden Gate Avenue
San Francisco, California 94102-3412

Date: November 6, 2012

ORG
ADDRESS

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 revocation 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.

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 revoking your 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.

Thank you for your cooperation.

Sincerely,

Nanette M. Downing
Director, EO Examinations

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

Form 886-A (Rev. January 1994)	EXPLANATION OF ITEMS	Schedule number or exhibit
Name of taxpayer	Tax Identification Number	Year/Period ended
ORG	EIN	December 31, 20XX

Issue:

Is ORG a social club exempt from tax under section 501(c)(7) of the Internal Revenue Code?

Facts:

ORG was incorporated on or about May 29, 19XX. It received a letter of determination recognizing it as a social club exempt under Internal Revenue Code Section 501(c)(7) dated October 19, 19XX.

In its application for determination it answered no to the question "Are non-members other than bona fide guests of members permitted or will they be permitted to use the club facilities or participate in or attend any functions or activities conducted by the organization."

It included in the application a copy of its Articles of Incorporation. Article II stated the purposes of the organization, which included promoting the collective and individual property and civic interests of property owners in its tract, regulating the beach and recreational facilities owned by ORG, care for and maintain public areas dedicated to community use, maintain a clubhouse or social hall, cooperate with owners of vacant lots in keeping them in good order, aid members of the association in the enforcement of conditions, covenants and restrictions, along with any necessary general powers.

The Internal Revenue Service examined the organization for the year ending December 31, 20XX. The organizations activities were: arrange to have snowplows plow the driveways of its members in winter; operate a shuttle bus service during the summer through the community to provide transportation to the ORG; make payments to the ORG so that its members, guests and member's tenants could use its facilities; and provide dumpsters for the use of its members for a few days during the summer.

The bylaws of the organization provided that day guests of the members would need to be accompanied by a member to use the beach, but did not apply this restriction to other guests or tenants of the members. Tenants could not extend guest privileges to others not staying with them.

The snow removal contract provided that the organization would give a list of members by street address and designate which were full time residents, so that the snow removal company would provide snow removal only from members' driveways.

The contract with the shuttle bus company did not contain a provision limiting its use to members.

The expenses of the organization for that year were as follows:

Clean Up	Shuttle	Use of Beach and other payments to ORG	Snow Removal	Misc Expense and Overhead	Total
\$	\$	\$	\$	\$	
%	%	%	%	%	

The organization did not maintain a clubhouse or social hall.

Law:

Section 501(c)(7) of the Internal Revenue Code provides for exemption from taxation for "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."