



Department of the Treasury
Internal Revenue Service
Tax Exempt and Government Entities
P.O. Box 2508
Cincinnati, OH 45201

Date:
03/13/2023
Employer ID number:

Form you must file:
1120
Tax years:
All
Person to contact:

Release Number: 202323009
Release Date: 6/9/2023
UIL Code: 501.07-00

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
PO Box 2508
Cincinnati, OH 45201

Date: 01/04/2023

Employer ID number:

Person to contact:

Name:

ID number:

Telephone:

Fax:

Legend:

W = Date Application Submitted
X = Date of Incorporation
Y = State of Incorporation
B = Family
C = Member of Family
D = Funding LLC

UIL:

501.07-00

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 submitted Form 1024, Application for Recognition of Exemption Under Section 501(a) of the Internal Revenue Code on W.

You are incorporated on X, in the state of Y. You state your purpose is to continue family reunions of B and to engage in any lawful act or activity for which non-profit corporations may be organized under the statutes of the state of Y. You are formed to facilitate family reunions every to years. Your members only consist of descendants from C. Prior to the passing of C, reunions were paid for from a trust that they established. Since their passing, you wish to continue the tradition of reunions. Going forward, you will receive funding through distributions made to you from D, an entity that is privately owned by family members of B. Your funds for reunions will be used for transportation, lodging, food, and specific planned activities. You also indicate that funds may be used to assist family members in case of unexpected death or emergencies. You have no other stated activities.

Letter 4034 (Rev. 01-2021)
Catalog Number 47628K

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.

Revenue Ruling 58-589, 1958-2 C.B. 266 stipulates expanded criteria for determining whether an organization qualifies for exemption under IRC Section 501(c)(7). An organization must establish (1) that it is a club both organized and operated exclusively for pleasure, recreation and other non-profitable purposes and (2) that no part of its net earnings inures to the benefit of any private shareholder or individual. To meet the first requirement, there must be an established membership of individuals, personal contacts and fellowship. A commingling of the members must play a material part in the life of the organization.

Revenue Ruling 63-190, 1963-2 C.B. 212 describes a nonprofit organization which maintains a social club for members and also provides sick and death benefits for members and their beneficiaries, that does not qualify for exemption as a social club under IRC Section 501(c)(7).

Revenue Ruling 67-428, 1967-2 C.B. 204, states while fellowship need not be present between each member and every other member of the club, in order for an organization to be exempt under IRC Section 501(c)(7), regular fellowship must constitute a material part of the organization's activities.

Revenue Ruling 74-30, 1974-1 C.B. 137 describes a flying club of limited membership that provides flying privileges solely for its members. Its members are interested in flying as a hobby, constantly commingle in informal meetings, maintain and repair the aircraft owned by the club, and fly together in small groups. Thus, the organization qualifies for exemption under IRC Section 501(c)(7) of the Code.

Application of law

To meet the requirements of IRC Section 501(c)(7), substantially all of your activities must be for pleasure, recreation, and other non-profitable purposes. In addition, regular commingling must play an important role in your activities and no part of your net earnings must inure to the benefit of your members. While your activities are geared toward providing a social and recreational experience for B, you do not satisfy all of the requirements of IRC Section 501(c)(7) as explained below.

You do not meet all of the criteria established in Revenue Ruling 58-589 to meet the operational requirements of IRC Section 501(c)(7). As this ruling indicates, to meet the operational requirement, you must have an established membership, personal contacts and fellowship. Also, regular commingling of your members must be a material part of your activities. Your planned reunions are only conducted every to years. These planned gatherings are not conducted often enough to satisfy this requirement and you have not provided any other additional activities other than the planned reunions. Therefore, you do not meet the operational requirement of IRC Section 501(c)(7). Also see Revenue Ruling 67-428 and Revenue Ruling 74-30.

You are similar to the organization described in Revenue Ruling 63-190 because you provide benefits for your members similar in scope to the benefits described in this ruling. The ruling states that the payment of sick and death benefits of any fashion is not a function of a social club. Therefore, you do not qualify for exemption as a social club under IRC Section 501(c)(7) as your net earnings would inure to the benefit of your members.

Conclusion

Based on the information you provided, you do not qualify for exemption under IRC Section 501(c)(7). While substantially all of your activities are geared toward pleasure and recreational purposes, you do not meet the operational test because you do not meet the requirement for regular commingling, and your net earnings inure to the benefit of your family members by offering benefits in the event of emergencies or unexpected death. Therefore, we cannot grant 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 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