



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

Date:
07/22/2024
Employer ID number:

Form you must file:
1120

Tax years:
All

Person to contact:

Release Number: 202442008
Release Date: 10/18/2024
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: May 2, 2024

Employer ID number:

Person to contact:

Name:

ID number:

Telephone:

Fax:

Legend:

B = State

C = Date

D = Location

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 were incorporated in B on C and subsequently filed Form 1024. Your Articles of Incorporation state that you are organized for charitable, religious, education, and scientific purposes, including, for such purposes, the making of distributions to organizations that qualify as an exempt organization under Section 501(c)(3) or the Internal Revenue Code or the corresponding section of any future federal tax code. Your Articles of Incorporation state your specific purpose is to raise funds to assist in the growth and development of golf and associated programs in the D. Your organizing document and your Form 1024 state you will:

- Provide funding to children who wish to play golf but do not have access to the appropriate equipment, facilities, or teaching,
- Provide camps and organized events for kids, and
- Sponsor events in the area

You explained that 100% of your time will be committed to activities associated with the growth of youth golf programs. Your membership consists only of the board of directors. There is no application process to become a member and if new members are presented to be added to the board, existing members will vote. You require a unanimous decision to approve new members.

You explained there are no planned social activities for the benefit of members. You state that your members meet on an as needed basis in person to discuss business.

You state that board members and other donors will conduct and organize all activities, and all activities will be funded by donations and gifts. There are no membership dues.

Law

IRC Section 501(c)(7) exempts from federal income tax clubs organized for pleasure, recreation, and other non-profitable purposes, substantially all 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 Regulations (Treas. Reg.) 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 non-profitable purposes, but does not apply to any club if any part of its net earnings inures to the benefit of any private shareholder. In general, this exemption extends to social and recreation clubs which are supported solely by membership fees, dues, and assessments. However, a club otherwise entitled to exemption will not be disqualified because it raises revenue from members through the use of club facilities or in connection with club activities.

Revenue Ruling 58-589, 1958-2 C.B. 266, provides that, in making a determination as to whether an organization comes within the provisions of IRC Section 501(c)(7), all facts pertaining to its form of organization, method of operation and activities should be considered. An organization must establish (1) that it is a club both organized and operated 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 for pleasure and recreational purposes must play a material part in the life of the organization. In addition, the revenue ruling also provides that to retain exemption a club must not enter into outside activities with the purpose of deriving a 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 under Section 501(c)(7).

Rev. Rul. 70-32, 1970-1 C.B. 132, describes a flying club that provided economical flying facilities for its members, but had no organized social and recreation programs did not qualify for exemption under IRC Section 501(c)(7). Specifically, there was little commingling among members for social or recreational purposes.

The Committee Reports for Public Law 94-568, HR 1144, provides under IRC Section 501(c)(7) that social clubs be operated substantially for pleasure, recreation, and other non-profit purposes. An organization may receive up to 35% of its gross receipts from a combination of investment income and non-member receipts, as long as non-member receipts do not represent more than 15% of total receipts.

Application of law

You do not qualify for exemption under IRC Section 501(c)(7), because you are not organized and operated exclusively for pleasure, recreation or other non-profitable purposes as required by Treas. Reg. Section 1.501(c)(7)-1(a). Your primary activities consist of raising funds to assist in the growth and development of youth golf and associated programs in the D. Social and recreational purposes are conspicuously absent in your operations. You have not established that your members have a common objective that are directed towards the

purposes outlined in IRC Section 501(c)(7). Further, you are not supported by membership fees, dues, and assessments as required by the regulations, but you are supported by gifts, grants, and contributions. As described in Rev. Rul. 58-589, although an organization may receive some income from the general public, your revenue raising activities are more than incidental and, therefore, preclude exemption under IRC Section 501(c)(7).

You have no significant commingling of your members

You do not meet the requirements explained in Rev. Rul. 58-589 to qualify for exemption under IRC Section 501(c)(7). Specifically, there is little or no commingling of your members as required by the revenue ruling. Similarly, in Rev. Rul. 70-32, a club that does not have commingling of its members was found to be not exempt. You do not have regular meetings of members since you meet on an as needed basis.

You do not meet the nonmember income limitations for IRC Section 501(c)(7)

You fail the membership income tests set forth by the Committee Reports on Public Law 94-568 because you are supported exclusively by gifts, gifts and contributions. You do not meet the facts and circumstances exception for this income test because your only source of revenue is from gifts, grants, and contributions.

Conclusion

Based on the information provided, we conclude that you are not organized and operated for pleasure, recreation, or other non-profitable purposes required for exemption for IRC Section 501(c)(7). You lack the element of members commingling. You also receive all your income from nonmember sources. Accordingly, you do not qualify for recognition of exemption under 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