Rev. Rul. 69-635, 1969-2 C.B. 126

An automobile club whose principal activity is rendering automobile services to its members but has no significant social activities does not qualify for exemption under section 501(c)(7) of the Code; G.C.M. 23688 superseded.

The purpose of this Revenue Ruling is to update and restate under the current statute and regulation the portion of G.C.M. 23688, C.B. 1943, 283, relating to whether the organization described is, in the light of its activities, organized and operated exclusively for pleasure, recreation, and other nonprofitable purposes within the meaning of section 501(c)(7) of the Internal Revenue Code of 1954. The portion of G.C.M. 23688 relating to the definition of 'clubs' as that term is used in section 501(c)(7) of the Code is covered in Revenue Ruling 67-428, C.B. 1967-2, 204.

The purpose of the organization is to promote highway safety and to provide various motoring conveniences to its members. Arrangements exist with numerous garages across the country whereby emergency repairs and road services are furnished to members and paid for by the organization. If a member's car is stolen, the organization will offer a reward for its recovery. If a member is arrested or detained for a traffic violation, the organization will post bond on his behalf. Personal travel information is supplied to members. Arrangements have been made to permit members to purchase automobile insurance at reduced premiums. Arrangements have also been made with merchants to allow members to buy clothing, laundry, furniture, and automobile supplies at discount prices. The organization does not carry on any significant social activities.

Section 501(c)(7) of the Code provides for exemption from Federal income tax for club organized and operated exclusively for pleasure, recreation, and other nonprofitable purposes.

The principal activity of this organization is the rendering of automobile services to its members. Most of the services offered are of a type generally available to motorists on a commercial basis. The rendition of such services is not in the nature of pleasure or recreation within the meaning of the statute. See Keystone Automobile Club v. Commissioner, 181 Fed.2d 402 (1950), and Chattanooga Automobile Club v. Commissioner, 182 Fed.2d 551 (1950).

Furthermore, in order to qualify for exemption under section 501(c)(7) of the Code, a commingling of members must play a material part in the activities of the organization. See Rev. Rul. 58-589, C.B. 1958-2, 266.

Because the principal activity of this organization is rendering automobile services to its members and there is no significant commingling of its members, this organization does

not qualify for exemption from Federal income tax under section 501(c)(7) of the Code.

G.C.M. 23688 is superseded since the outstanding portion thereof is restated under current law in this Revenue Ruling.