



Department of the Treasury  
Internal Revenue Service  
P.O. Box 2508  
Cincinnati, OH 45201

Release Number: **201732035**  
Release Date: 8/11/2017  
UIL Code: 501.07-00

Date:  
May 16, 2017  
Employer ID number:

Contact person/ID number:

Contact telephone number:

Form you must file:

Tax years:

Dear :

This letter is our final determination that you don't qualify for tax-exempt status under Section 501(c)(7) of the Internal Revenue Code (the Code). 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 federal income tax returns for the tax years listed at the top of this letter using the required form (also listed at the top of this letter) within 30 days of this letter unless you request an extension of time to file.

We'll make this final adverse determination letter and the proposed adverse determination letter available for public inspection (as required under Section 6110 of the Code) after deleting certain identifying information. Please read the enclosed Notice 437, *Notice of Intention to Disclose*, and review the two attached letters that show our proposed deletions. If you disagree with our proposed deletions, follow the instructions in the Notice 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 contact the person listed at the top of this letter. If you have questions about your federal income tax status and responsibilities, call our customer service number at 1-800-829-1040 (TTY 1-800-829-4933 for deaf or hard of hearing) or customer service for businesses at 1-800-829-4933.

Sincerely,

Stephen A. Martin  
Director, Exempt Organizations  
Rulings and Agreements

Enclosures:

Notice 437

Redacted Letter 4036, *Proposed Adverse Determination Under IRC Section 501(c)(3)*

Redacted Letter 4038, *Final Adverse Determination Under IRC Section 501(c)(3) - No Protest*



Department of the Treasury  
Internal Revenue Service  
P.O. Box 2508  
Cincinnati, OH 45201

Date: March 1, 2017

Employer ID number:

Contact person/ID number:

Contact telephone number:

Contact fax number:

**Legend:**

B = date

C = date

D = date

f dollars = dollar amount

g dollars = dollar amount

h dollars = dollar amount

j dollars = dollar amount

k dollars = dollar amount

m dollars = dollar amount

n dollars = dollar amount

**UIL:**

501.07-00

Dear :

We considered your application for recognition of exemption from federal income tax under Section 501(a) of the Internal Revenue Code (the Code). Based on the information provided, we determined that you don't qualify for exemption under Section 501(c)(7) of the Code. This letter explains the basis for our conclusion. Please keep it for your records.

**Issues**

Do you qualify for exemption under Section 501(c)(7) of the Code? No, for the reasons stated below.

**Facts**

You were formed as an unincorporated association on B.

Your purposes as listed in your Constitution and Bylaws are:

1. To have a place for members and non-members to shoot trap
2. Hold trap club events for members and non-members as long as weather and interest is met
3. Teach and educate new shooters to the sport of trap shooting

You hold at least two major shooting events every year. You also hold other events where no prizes are awarded but practice trap shooting takes place. The majority of your events are open to the public. As long as a person pays to shoot and obeys your rules, that person may participate in any of your events.

The purpose of all your events is to allow anyone the opportunity to compete and practice their trap shooting skills. Monies raised from these events pay for prizes, event supplies (targets), and utilities to maintain and upkeep the event grounds and club house. All events are held on club grounds and are organized and carried out on volunteered time from your club members.

You indicated that in C, the majority of your income was from outside vendors. However, you later clarified by saying this was your first year of operations and these contributions, totaling f dollars, were unusual in nature. Other than these unusual contributions, you received g dollars from members in the form of dues and event income, and h dollars from non-member event income. Disregarding the unusual contributions from outside vendors, your non-member income accounted for % of your remaining total revenues of j dollars in C.

According to the financial information you provided for D, you received k dollars in contributions from non-members as well as m dollars from non-member event income. These two amounts accounted for % of your gross receipts of n dollars in D. You also indicated your third year of operations would have the same format as D.

### **Law**

Section 501(c)(7) of the Code provides for the exemption from federal income tax of 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.

Treasury Regulation Section 1.501(c)(7)-1(a) states the exemption provided by Section 501(c)(7) of the Code 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.

Treas. Reg. Section 1.501(c)(7)-1(b) states that a club which engages in business, such as making its social and recreational facilities available to the general public or by selling real estate, timber, or other products, is not organized and operated exclusively for pleasure, recreation, and other non-profitable purposes, and is not exempt under Section 501(a) of the Code. Solicitation by advertisement or otherwise for public patronage of its facilities is prima facie evidence that the club is engaging in business and is not being operated exclusively for pleasure, recreation, or social purposes. However, an incidental sale of property will not deprive a club of its exemption.

Public Law 94-568, 1976-2 C.B. 596 provides that a social club may receive up to 35 percent of its gross receipts, including investment income, from sources outside its membership without losing exemption. Within this 35 percent amount, not more than 15 percent of the gross receipts should be derived from the use of a social club's facilities or services by the general public.

Revenue Ruling 60-324, 1960-2 C.B. 173 states that a social club which has been granted exemption under Section 501(c)(7) of the Code may lose its exemption if it makes its club facilities available to the general public on a regular, recurring, basis since it may then no longer be considered to be organized and operated exclusively for its exempt purpose.

Revenue Ruling 65-63, 1965-1 C.B. 240 states that a nonprofit organization which, in conducting sports car events for the pleasure and recreation of its members, permits the general public to attend such events for a fee on a recurring basis and solicits patronage by advertising, does not qualify for exemption as a club organized and operated exclusively for pleasure, recreation and other non-profitable purposes under Section 501(c)(7) of the Code.

Revenue Ruling 69-219, 1969-1 CB 153 states that a social club that regularly holds its golf course open to the general public and charges established green fees that are used for maintenance and improvement of club facilities is not exempt under Section 501(c)(7) of the Code.

### **Application of law**

You are not described in Section 501(c)(7) of the Code nor Treas. Reg. Section 1.501(c)(7)-1(b). A club which engages in business, such as making its social and recreational facilities available to the general public, is not organized and operated exclusively for pleasure, recreation, and other non-profitable purposes. You make your activities available to the general public more than incidentally. Your primary activity consists of providing general trap shooting activities to members as well as nonmembers. Your largest source of revenue is from event fees from members as well as nonmembers. In C (disregarding unusual contributions), % of your gross receipts were from nonmembers which far exceeds the % limitation from sources outside your membership and the % limitation for nonmember use of a social club's facilities or services in Public Law 94-568. In D, % of your gross receipts were derived from sources outside your membership, and per your projections, the following fiscal year would be the same.

Like the organization in Rev. Rul. 60-324 and Rev. Rul. 65-63, although your activities are for the pleasure and recreation of your members you do not qualify for exemption under section 501(c)(7) of the Code because your activities and facility are available to the general public on a regular, recurring basis. Nonmembers are able to take part in your activities and participate in your events on a not incidental basis.

You are like the organization in Rev. Rul. 69-219. Your events are open to the general public on a regular basis and you charge nonmembers (as well as members) event fees. You receive a substantial amount of income from the general public as a result. You do not qualify for exemption under Section 501(c)(7) of the Code because in addition to engaging in regular business with the general public through these events the income from the fees is inuring to the benefit of your members in being used for maintenance and up-keep of your event grounds and club house. Per Treas. Reg. Section 1.501(c)(7)-1(a), exemption under Section 501(c)(7) of the Code does not apply to any club if any part of its net earnings inures to the benefit of any private shareholder.

### **Conclusion**

You do not qualify for exemption under Section 501(c)(7) of the Code. By making your activities and facilities open to the general public for fees, you are not organized and operated exclusively for the pleasure and recreation of your members. Additionally, income from the fees far exceeds the limitation set forth in Public Law 94-568.

### **If you don't agree**

You have a right to file a protest if you don't agree with our proposed adverse determination. To do so, you must send a statement to us within 30 days of the date of this letter. The statement must include:

- Your name, address, employer identification number (EIN), and a daytime phone number
- A copy of this letter highlighting the findings you disagree with
- An explanation of why you disagree, including any supporting documents
- The law or authority, if any, you are relying on
- The signature of an officer, director, trustee, or other official who is authorized to sign for the organization, or your authorized representative
- One of the following declarations:

**For an officer, director, trustee, or other official who is authorized to sign for the organization:**

Under penalties of perjury, I declare that I examined this protest statement, including accompanying documents, and to the best of my knowledge and belief, the statement contains all relevant facts and such facts are true, correct, and complete.

**For authorized representatives:**

Under penalties of perjury, I declare that I prepared this protest statement, including accompanying documents, and to the best of my knowledge and belief, the statement contains all relevant facts 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 he or she hasn'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 provided a basis for us to reconsider our determination. If so, we'll continue to process your case considering the information you provided. If you haven't provided a basis for reconsideration, we'll forward your case to the Office of Appeals and notify you. You can find more information about the role of the Appeals Office in Publication 892, *How to Appeal an IRS Decision on Tax-Exempt Status*.

If you don't file a protest within 30 days, you can't seek a declaratory judgment in court at a later date because the law requires that you use the IRS administrative process first (Section 7428(b)(2) of the Code).

**Where to send your protest**

Please send your protest statement, Form 2848, if needed, and any supporting documents to the applicable address:

U.S. mail:

Internal Revenue Service  
EO Determinations Quality Assurance  
Room 7-008  
P.O. Box 2508  
Cincinnati, OH 45201

Street address for delivery service:

Internal Revenue Service  
EO Determinations Quality Assurance  
550 Main Street, Room 7-008  
Cincinnati, OH 45202

You can also fax your statement 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 he or she received it.

**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.

You can find all forms and publications mentioned in this letter on our website at [www.irs.gov/formspubs](http://www.irs.gov/formspubs). If you have questions, you can contact the person listed at the top of this letter.

Sincerely,

Jeffrey I. Cooper  
Director, Exempt Organizations  
Rulings and Agreements

Enclosure:  
Publication 892