



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

Date:
10/23/2023
Employer ID number:

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

Release Number: 202403017
Release Date: 1/19/2024
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: 08/23/2023

Employer ID number:

Person to contact:

Name:

ID number:

Telephone:

Fax:

Legend:

W = Formation Date
X = State of Formation
Y = Philosophy
Z = Related Organization

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 formed on W in X as a nonprofit mutual benefit corporation. Your specific corporate purpose states you are formed to promote awareness of the evidence for Y in the natural world and the science based on this evidence. No Bylaws were submitted with your application.

You provide educational events open to your members and the public. These events include expert speakers who are involved in the Y movement. These events are scheduled at least once per quarter. Your chapter officers and volunteers initiate and conduct these events. You also conduct chapter meetings to discuss ideas and plan your activities and events. These are generally members only meetings, however, you allow non-members to attend these meetings depending on the topics discussed. In addition, your chapter officers meet to plan events, discuss chapter financials, plan budgets, and coordinate activities with Z, a related organization that also promotes the Y movement, and which mission you support.

You indicate the only qualification to be a member is one must be open to the Y movement and learn more about it through dialogue. Anyone who donates to you is considered a member, and anyone can be a donor. You use donated space for your events. Donors can bring guests to your educational events and they are under no

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

obligation to donate to you or become a member. Your Articles of Incorporation do not include any additional information on members, and as stated previously, Bylaws were not submitted with your application to provide additional insight on your membership, nor their role in governance. Your primary source of income is through your member donations as you do not have an established membership fee structure. These donations are used to fund your educational events. Expenses related to hosting your events constitute the majority of your expenses.

You state in a subsequent written response to additional information, you are not operated simply for pleasure or recreation, but you are operated for the non-profitable purpose of educating the public on the Y movement. You noted that the pleasure your members receive from attending these events is to learn and interact with the invited speakers.

Law

IRC Section 501(c)(7) provides for exemption 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.

Revenue Ruling 58-588, 1958-2 C.B. 265, states that an organization formed by several individuals to operate a health, recreational, and social club but whose predominant activity is the selling of services for profit to an unlimited number of so-called 'members,' who have no voice in the management of the club and whose only rights are to use the club's facilities upon the payment of specified fees, is not a tax exempt social club within the meaning of IRC Section 501(c)(7). In distinguishing members from non-members, the ruling notes that certain members may not be true members but are instead merely a guise under which virtually unlimited number of individuals may utilize the club's facilities. As a result, the organization's income amounted to merely transactions with the general public.

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.

Rev. Rul. 70-32, 1970-1 CB 132, states that a social club is not exempt from federal income tax as an organization described in IRC Section 501(c)(7) where the club's sole activity is ownership, operation, and maintenance of aircraft used by club members. It was found the organization did not have an organized social and recreational program. It was also found that there was very little commingling among its members for social and recreational purposes.

Rev. Rul. 74-148, 1974-1 CB 138, states that an organization formed to provide bowling tournaments and recreational bowling competitions among its members qualifies for exemption under IRC Section 501(c)(7) where its overall program is designed to effect a commingling of members for their pleasure and recreation. Membership is by invitation only and all applicants are approved by the board of directors. This organization

satisfies the commingling requirement through its substantial social and recreational activities and has established prerequisite conditions for its members to be recognized as a club.

Application of Law

IRC Section 501(c)(7) provides for exemption of clubs organized for pleasure, recreation, and other non-profitable purposes, substantially all the activities of which are for such purposes. There must be an established membership of individuals whose common objective is directed towards pleasure and recreation. The commingling of members actively working towards that objective must play a material part in the life of a social club. You fail to meet these requirements as described below.

You were formed to promote awareness of the evidence for Y in the natural world and the science based on this evidence and to conduct educational events to this effect. In connection with this purpose, you have not established that you are a club organized and operated for pleasure, recreation, and other non-profitable purposes. There is no evidence of an organized social and recreational program. While your members may have a common objective to learn more about Y, you have no material criteria to establish a membership as you consider a “member” to be anyone who donates funds to you. You have also not established that your members have a common objective that are directed towards the purposes outlined in IRC Section 501(c)(7). Therefore, you do not meet the requirements of Section 501(c)(7) as explained in Rev. Rul. 58-589. See also Rev. Rul. 70-32.

Also, you are like the organization described in Rev. Rul. 58-588. This ruling highlights who is considered a bona fide member of an organization exempt under IRC Section 501(c)(7). You consider anyone a member who donates to you and thus virtually have an unlimited number of members with no true membership requirements. Further, you have not submitted any documentation that these individuals have voting rights and any other authority that shows them having any input in directing club business and activities. You indicate only your chapter officers meet for material discussions on operations. Since your ‘members’ have no real authority in your management, you are simply engaged in providing an educational class for a fee to the general public, and these individuals are not considered bona fide members. Because you conduct your activities in this fashion and this is your predominant activity, you therefore fail to meet the requirements of Section 501(c)(7).

You are unlike the organization described in Rev. Rul. 74-148. This organization qualified for IRC Section 501(c)(7) because it satisfied the commingling requirement. It also demonstrated through prerequisite conditions that it has a membership that has an objective for pleasure and recreational purposes. You have not provided any material evidence that your activities are geared toward substantial social or recreational activities. And you have no true conditions for membership, as you are open to anyone who simply donates funds to you. Therefore, you fail to meet the requirements of Section 501(c)(7).

Conclusion

You do not meet the requirements for IRC Section 501(c)(7). You are not organized and operated for pleasure, recreation, and other non-profitable purposes, as substantially all of your activities are not for the purposes described in this section. You do not have a bona fide membership, do not meet the traditional requirements to be considered a club and there is no consistent commingling amongst your members for social and recreational purposes. Therefore, exemption is not granted to you 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