



Department of the Treasury
Internal Revenue Service
Tax Exempt and Government Entities

Date:
06/27/2025
Employer ID number:

Form you must file:

Tax years:

Person to contact:

Release Number: 202538028
Release Date: 9/19/2025
UIL Number: 501.07-00, 501.07-05

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**

Date:
05/02/2025
Employer ID number:

Person to contact:
Name:
ID number:
Telephone:
Fax:

Legend:

B = State
C = County
D = Date
f percent = Amount
g percent = Amount

UIL:
501.07-00
501.07-05

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 formed as a non-profit corporation in the state of B on D. Your Articles of Incorporation state that your purpose is to purchase land and construct and operate a public golf course in C. Your Bylaws state you are operated for purposes of managing and operating a municipal golf course as well as maintaining programs to support golfing activities at your facility.

Currently you operate and manage an 18-hole public golf course, operate, and manage a bar and restaurant that is open to the general public. You also host events such as baby/bridal showers, weddings, and dinners for private parties.

You are a member-based organization. Members do not have voting rights and must subscribe to your basic policies. Your financial data reveals that you earn approximately g percent of your revenues from membership dues. Much of the remaining revenue is primarily from greens fees, facility rental income, pro shop sales, restaurant and bar sales, and cart fees. All of your golf facilities, as well as the restaurant and bar, are open to the general public. You estimate that f percent of your revenues are earned from nonmember use of your facilities

Law

IRC Section 501(c)(7) exempts from federal income tax clubs organized for pleasure, recreation, and other nonprofitable purposes, substantially all the activities of which are for such purposes, 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) provides that 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 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 nonprofitable purposes, and is not exempt under IRC Section 501(a). 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.

Public Law 94-568, 1976-2 C.B. 596, provides that a social club may receive up to 35% of its gross receipts, including investment income, from sources outside its membership without losing exemption. Within this 35% amount, not more than 15% of the gross receipts should be derived from the use of a social club's facilities or services by the general public. This means that an exempt social club may receive up to 35% of its gross receipts from a combination of investment income and receipts from nonmembers so long as the latter do not represent more than 15% of the total receipts.

Revenue Ruling 58-589, 1958-2 C.B. 266, set forth the criteria for exemption under IRC Section 501(c)(7) and provides that a club may lose its exemption if it makes its facilities available to the general public. A club will not be denied exemption merely because it receives income from the general public provided such participation is incidental to and furtherance of its general club purposes. To retain exemption a club must not enter outside activities with the purpose of deriving 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.

Rev. Rul. 66-149, 1966-1 C.B. 146, states a social club is not exempt from federal income tax as an organization described in IRC Section 501(c)(7) where it regularly derives a substantial part of its income from non-member sources. To the extent that income is derived from non-member sources, it inures to the benefit of the members. If such activities are other than incidental, trivial, or non-recurrent, it is considered that they are intended to produce income and are reflective of a purpose inconsistent with exemption under Section 501(c)(7).

Rev. Rul. 69-219, 1969-1 C.B. 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 IRC Section 501(c)(7).

In Pittsburgh Press Club v. U.S., 615 F.2d 600 (1980), the court found that a substantial portion of the club's total gross receipts was from nonmember use of club facilities (determined to be between 11 -17% of gross income). This indicated to the court that the club was engaged in business with the general public. Other

factors noted by the court to consider in addition to the level of nonmember income include the purposes for which the club's facilities were made available to nonmember groups, the frequency of use of the club facilities by nonmembers, and the number of net profits derived from the nonmember income.

Application of law

You are not described under IRC Section 501(c)(7) because you are not organized for pleasure, recreation, or other non-profitable purposes. You operate a golf course for members as well as for the general public. Per Treas. Reg. Sections 1.501(c)(7)-1(a) and 1.501(c)(7)-1(b), this exemption extends to social and recreational clubs which are supported by membership fees, dues and assessments and not for an organization that engages in business, such as making facilities available to the general public. As Treas. Reg. Section 1.501(c)(7)-1(b) describes, when a club engages in business by making facilities available to the public, like your golf course and restaurant, it is not organized and operated exclusively for pleasure, recreation, and other nonprofit purposes.

As explained in Rev. Rul. 58-589, although you are permitted to receive some income from the general public, if that revenue is more than incidental, you will be precluded from exemption under IRC Section 501(c)(7). Because you receive more than an incidental amount of funds from the general public from the golf course and the use of the restaurant and bar, you are precluded exemption under Section 501(c)(7).

You do not qualify for exemption per Public Law 94-568, which states no more than 15% of receipts may be from the use of a social club's facilities or services provided to the general public. You reported your non-member income to be more than 15 percent of your total receipts, which is greater than 15%. The conduct of business activities, including the public use of your facilities, is incompatible with exemption, so even if you were to meet the facts and circumstances non-member income test you would still fail to qualify for exemption under IRC Section 501(c)(7).

You are like the organizations described in Rev. Rul. 66-149 and Rev. Rul. 69-219, since you regularly derive a substantial part of your income from non-member sources. To the extent that income is derived from non-member sources, it inures to the benefit of the members. If such activities are other than incidental, trivial, or non-recurrent, it is considered that they are intended to produce income and are reflective of a purpose inconsistent with exemption under IRC Section 501(c)(7).

You are similar to the organization described in Pittsburgh Press Club because you earn a substantial amount of revenue from the use of your facilities and services by nonmembers. You are engaged in business with the general public rather than your members, which precludes you from exemption under IRC Section 501(c)(7).

Conclusion

Based on the information submitted, you are not operated for exempt purposes within the meaning of IRC Section 501(c)(7). You operate a golf course and a restaurant/bar that are open to the general public. You regularly derive a substantial part of your income from nonmember use of your facilities. Accordingly, you do not qualify for 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