

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

JUN 10 1983

Dear Applicant:

We have considered your application for recognition of exemption from Federal income tax under section 501(c)(7) of the Internal Revenue Code.

You are incorporated [REDACTED] in the State of [REDACTED] by a group of individuals interested in motorcycling as a form of entertainment and social function. Your purpose is to encourage brotherhood, support charitable causes, promote leniency in judging others & treat all individuals equally.

Your application indicates you had \$ [REDACTED] in gross income from the date of formation to [REDACTED], of which \$ [REDACTED], or [REDACTED]%, is from non-members. In your letter dated [REDACTED], you state your gross income for the period [REDACTED] is \$ [REDACTED] of which \$ [REDACTED], or [REDACTED]%, is from non-members. Your major source of non-member income is the [REDACTED] motorcycle Run. You stated this will be an annual event, indicating that it is not an isolated activity, but a planned event that is funded with non-member donations. Another source of non-member income is tips received by club members, acting as bartenders, on monthly club nights at the [REDACTED].

Section 501(c)(7) of the Code describes certain organizations exempt from Federal income tax under section 501(c) and reads, in part, as follows:

"(7) 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."

Section 501(c)(7) of the Code provides, in part, as follows:

"(1) The exemption provided by section 501(c) for organizations described in section 501(c)(7) applies only to clubs which are organized and operated exclusively for pleasure, recreation, and

| Code | Initiator | Reviewer | Reviewer | Reviewer | Reviewer | Reviewer | Reviewer |
|---------|-----------|------------|----------|----------|----------|----------|----------|
| | | [REDACTED] | | | | | |
| Surname | | [REDACTED] | | | | | |
| Date | | 06/10/83 | | | | | |

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."

Your attention is invited to Revenue Procedure 71-17, modified by Public Law 94-568, which sets forth limitations on the extent to which nonmembers may participate in activities you sponsor, as well as the record-keeping requirements relevant to such participation. Under Public Law 94-568, no more than 10 percent of gross receipts can be derived from the use of club facilities and services by the general public.

You do not meet the requirements set forth in section 501(c)(7) of the Code. Your income from non-member sources exceeds the 15% limit set forth in Public Law 94-568. In your application, Form 1024, you stated your organization plans to continue holding the annual [REDACTED] [REDACTED] [REDACTED]. Therefore, we conclude that you do not qualify for exemption under section 501(c)(7) of the Internal Revenue Code. You must file income tax returns on Form 1120.

If you do not agree with these conclusions, you may, within 30 days from the date of this letter, file in duplicate a brief of the facts, law, and argument that clearly sets forth your position. If you desire an oral discussion of the issue, please indicate this in your protest. The enclosed Publication 892 gives instructions for filing a protest.

If you do not file a protest with this office within 30 days of the date of this report or letter, this proposed determination will become final.

If you agree with these conclusions or do not wish to file a written protest, please sign and return Form 6018 in the enclosed self-addressed envelope as soon as possible. You should also file the enclosed Federal income tax return(s) within 30 days with the Chief, Employee Plan/Exempt Organization Division, 1100 Commerce, Dallas, Texas 75242.

[REDACTED]

If you have any further questions, please contact the person whose name and telephone number are shown at the beginning of this letter.

Sincerely yours,

[REDACTED]
District Director

Enclosures:

Revenue Procedure 71-17

Form 6015

Publication 992

Form 1120 for 1982