



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

Release Number: 202319019
Release Date: 5/12/2023
UIL Code: 501.07-00

Date:
January 4, 2023
Taxpayer ID number (last 4 digits):

Form:

Tax periods ended:

Person to contact:
Name:
ID number:
Telephone:
Fax:
Last day to file petition with United States
Tax Court: April 4, 2023

CERTIFIED MAIL - Return Receipt Requested

Dear :

Why we are sending you this letter

This is a 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), for the tax periods above. Your determination letter dated , is revoked.

Our adverse determination as to your exempt status was made for the following reasons: Organizations described under IRC Section 501(c)(7) are organized and operated for the pleasure and recreation of their members or other non-profitable purposes and no part of the net earnings inure to the benefit of any private shareholder. You have not established that you are organized and operated exclusively for an exempt purpose within the meaning of IRC Section 501(c)(7). Your primary activity is managing and maintaining property. As a result, you are not operating substantially for pleasure, recreation, or other non-profitable purposes.

Organizations that are not exempt under IRC Section 501 generally are required to file federal income tax returns and pay tax, where applicable. For further instructions, forms and information please visit [IRS.gov](https://www.irs.gov).

What you must do if you disagree with this determination

If you want to contest our final determination, you have 90 days from the date this determination letter was mailed to you to file a petition or complaint in one of the three federal courts listed below.

How to file your action for declaratory judgment

If you decide to contest this determination, you can file an action for declaratory judgment under the provisions of Section 7428 of the Code in either:

- The United States Tax Court,
- The United States Court of Federal Claims, or
- The United States District Court for the District of Columbia

You must file a petition or complaint in one of these three courts within 90 days from the date we mailed this determination letter to you. You can download a fillable petition or complaint form and get information about filing at each respective court's website listed below or by contacting the Office of the Clerk of the Court at one of the addresses below. Be sure to include a copy of this letter and any attachments and the applicable filing fee with the petition or complaint.

You can eFile your completed U.S. Tax Court petition by following the instructions and user guides available on the Tax Court website at ustaxcourt.gov/dawson.html. You will need to register for a DAWSON account to do so. You may also file your petition at the address below:

United States Tax Court
400 Second Street, NW
Washington, DC 20217
ustaxcourt.gov

The websites of the U.S. Court of Federal Claims and the U.S. District Court for the District of Columbia contain instructions about how to file your completed complaint electronically. You may also file your complaint at one of the addresses below:

US Court of Federal Claims
717 Madison Place, NW
Washington, DC 20439
uscfc.uscourts.gov

US District Court for the District of Columbia
333 Constitution Avenue, NW
Washington, DC 20001
dcd.uscourts.gov

Processing of income tax returns and assessments of any taxes due will not be delayed if you file a petition for declaratory judgment under IRC Section 7428.

Information about the IRS Taxpayer Advocate Service

The IRS office whose phone number appears at the top of the notice can best address and access your tax information and help get you answers. However, you may be eligible for free help from the Taxpayer Advocate Service (TAS) if you can't resolve your tax problem with the IRS, or you believe an IRS procedure just isn't working as it should. TAS is an independent organization within the IRS that helps taxpayers and protects taxpayer rights. Contact your local Taxpayer Advocate Office at:

Internal Revenue Service
Taxpayer Advocate Office

Or call TAS at 877-777-4778. For more information about TAS and your rights under the Taxpayer Bill of Rights, go to taxpayeradvocate.irs.gov. Do not send your federal court pleading to the TAS address listed above. Use the applicable federal court address provided earlier in the letter. Contacting TAS does not extend the time to file an action for declaratory judgment.

Where you can find more information

Enclosed are Publication 1, Your Rights as a Taxpayer, and Publication 594, The IRS Collection Process, for more comprehensive information.

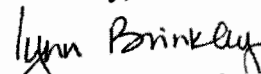
Find tax forms or publications by visiting irs.gov/forms or calling 800-TAX-FORM (800-829-3676). If you have questions, you can call the person shown at the top of this letter.

If you prefer to write, use the address shown at the top of this letter. Include your telephone number, the best time to call, and a copy of this letter.

You may fax your documents to the fax number shown above, using either a fax machine or online fax service. Protect yourself when sending digital data by understanding the fax service's privacy and security policies.

Keep the original letter for your records.

Sincerely,

A handwritten signature in black ink, appearing to read "Lynn Brinkley". The signature is written in a cursive style with a large initial "L".

Acting Director, Exempt Organizations Examinations

Enclosures:

Publication 1

Publication 594

Publication 892



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

Date:
August 26, 2022
Taxpayer ID number:

Form:

Tax periods ended:

Person to contact:

Name:
ID number:
Telephone:
Fax:
Address:

Manager's contact information:

Name:
ID number:
Telephone:
Response due date:
September 26, 2022

Dear _____ :

Why you're receiving this letter

We enclosed a copy of our audit report, Form 886-A, Explanation of Items, explaining that we propose to revoke your tax-exempt status as an organization described in Internal Revenue Code (IRC) Section 501(c)(7)

If you agree

If you haven't already, please sign the enclosed Form 6018, Consent to Proposed Action, and return it to the contact person shown at the top of this letter. We'll issue a final adverse letter determining that you aren't an organization described in IRC Section 501(c)(7) for the periods above.

After we issue the final adverse determination letter, we'll announce that your organization is no longer eligible to receive tax deductible contributions under IRC Section 170.

If you disagree

1. Request a meeting or telephone conference with the manager shown at the top of this letter.
2. Send any information you want us to consider.
3. File a protest with the IRS Appeals Office. If you request a meeting with the manager or send additional information as stated in 1 and 2, above, you'll still be able to file a protest with IRS Appeals Office after the meeting or after we consider the information.

The IRS Appeals Office is independent of the Exempt Organizations division and resolves most disputes informally. If you file a protest, the auditing agent may ask you to sign a consent to extend the period of limitations for assessing tax. This is to allow the IRS Appeals Office enough time to consider your case. For your protest to be valid, it must contain certain specific information, including a statement of the facts, applicable law, and arguments in support of your position. For specific information needed for a valid protest, refer to Publication 892, How to Appeal an IRS Determination on Tax-Exempt Status.

Fast Track Mediation (FTM) referred to in Publication 3498, The Examination Process, generally doesn't apply now that we've issued this letter.

4. Request technical advice from the Office of Associate Chief Counsel (Tax Exempt Government Entities) if you feel the issue hasn't been addressed in published precedent or has been treated inconsistently by the IRS.

If you're considering requesting technical advice, contact the person shown at the top of this letter. If you disagree with the technical advice decision, you will be able to appeal to the IRS Appeals Office, as explained above. A decision made in a technical advice memorandum, however, generally is final and binding on Appeals.

If we don't hear from you

If you don't respond to this proposal within 30 calendar days from the date of this letter, we'll issue a final adverse determination letter.

Contacting the Taxpayer Advocate Office is a taxpayer right

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 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.

For additional information

You can get any of 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 shown at the top of this letter.

Sincerely,

Jerry Morrow

Jerry Morrow for Lynn A. Brinkley
Acting Director
Exempt Organizations Examinations

Enclosures:

Form 886-A

Form 6018

Form 886A	Department of the Treasury - Internal Revenue Service Explanation of Items	Schedule No. or Exhibit
Name of Taxpayer		Year/Period Ended

ISSUE:

Whether _____ (“ ”) meets the requirements for exemption under Internal Revenue Code (“IRC”) section 501(c)(7).

FACTS:

_____ was originally incorporated on _____. The articles of incorporation were last amended with the State of _____. Per the Articles, its purpose is to “promote, foster and encourage in its members, the study, understanding, and appreciation of the history of _____, the background and _____.”

On _____, _____ was issued a determination letter from the Internal Revenue Service (“IRS”) advising it that it had been recognized as exempt under IRC Section 501(c)(7). The letter included a caveat that states “IRC 501(c)(7) exempts from Federal Income tax “clubs organized for pleasure, recreation, and other nonprofitable purposes and no part of the net earnings of which inures to the benefit of any private shareholder. You are advised that matters relating to the cottages have to be in compliance with the above mentioned requirements.”

_____ owns and manages the property at _____, including a Lodge and several cottages that are “owned” by certain members for their exclusive use. Property taxes are paid through _____ who charges cottage members for their portion of taxes. _____ rents the lodge out to members and non-members for activities such as weddings, meetings, etc. In partnership with the _____ and the _____, _____ sponsors a seasonal series of breakfasts open to the public and for the purpose of subsidizing the upkeep of the Lodge. _____ meetings and activities are limited to planning and implementing property maintenance and property management and does not regularly include many of the cottage owners, many of whom live significant distances from _____.

LAW:

IRC section 501(c)(7) exempts from federal income tax clubs organized for pleasure, recreation, and other non-profitable purposes.

Prior to its amendment in 1976, IRC section 501(c)(7) required that social clubs be operated exclusively for pleasure, recreation and other non-profitable purposes. Public Law 94-568 amended the “exclusive” provision to read “substantially” in order to allow an IRC section 501(c)(7) organization to receive up to 35% of its gross receipts, including investment income, from sources outside its membership without losing its tax exempt status.

P. L. 94-568 amended IRC 501(c)(7) to provide for exemption from federal income tax of clubs organized for pleasure, recreation, and other non-profitable purposes, substantially all of the activities

Form 886A	Department of the Treasury - Internal Revenue Service Explanation of Items	Schedule No. or Exhibit
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of which are for such purposes and no part of the net earnings of which inures to the benefit of any private shareholder.

Various revenue rulings have defined the requirement for fellowship, commingling, and the sharing of interest and goals including:

- Rev. Rul. 69-635, 1969-2 C.B. 126
- Rev. Rul. 74-30, 1974-1 C.B. 137
- Rev. Rul. 70-32, 1970-1 C.B. 132
- Rev. Rul. 55-716, 1955-2 C.B. 263 (Face-to-Face interaction)
- Rev. Rul. 67-139, 1967-1 C.B. 129 (Mineral Society)
- Rev. Rul. 66-179, 1966-1 C.B. 139 (Garden Club)

Therefore, an IRC section 501(c)(7) organization must satisfy the following statutory requirements:

- A club which may consist of a membership of individuals, the existence of personal contact, commingling, fellowship among members, sharing of active interests amongst members, and sharing goals by members justifying the existence of the organization;
- Organized for pleasure, recreation, and other nonprofitable purposes;
- Substantially all of the activities of which are for such purposes;
- No part of the net earnings inure to the benefit of a private shareholder; and

GOVERNMENT'S POSITION:

Based upon the facts found during the examination, _____ is not operated exclusively for exempt purposes within the scope of IRC Section 501(c)(7) and as a result, it does not qualify for exemption under IRC Section 501(c)(7).

_____ primary activity is managing and maintaining the _____ property and not fellowship and commingling related to the stated purpose of the organization and fails the social component of IRC section 501(c)(7).

Cottages are not open to all member's use and enjoyment, and in fact, membership in _____ appears to be a pro forma requirement for members to maintain their cottage ownership. This fails the prohibition on inurement in IRC section 501(c)(7).

Form 886A	Department of the Treasury - Internal Revenue Service Explanation of Items	Schedule No. or Exhibit
Name of Taxpayer		Year/Period Ended

We are proposing revocation of your tax-exempt status for tax years ended through _____ and effective _____. For the years referenced, _____ has a Form 1120 filing requirement and is responsible for filing the Form 1120 with the Service.

TAXPAYER'S POSITION:

Taxpayer has verbally indicated that they understand the IRS position and accept the Service's findings

CONCLUSION:

(“ _____”) does not meet the requirements for exemption under Internal Revenue Code (“IRC”) section 501(c)(7) and therefore, the Service recommends revocation.