[Exemptions]

[Federal income tax exempt status issued by IRS &/or as declared by Taxpayers]

26 U.S. Code § 501 (c)(7)

501(c)(7) — Social and Recreational Clubs

Part 7. Rulings and Agreements

Chapter 25. Exempt Organizations Determinations Manual

Section 7. Social and Recreational Clubs

7.25.7 Social and Recreational Clubs

7.25.7.1 (02-23-1999)
Overview

1. IRC 501(c)(7) exempts from federal income tax, 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."

2. Social clubs are membership organizations.

    A. The exemption of social clubs is based on the logic of allowing members to pool their funds for recreational purposes, rather than for a compelling public benefit.

    B. IRC 501(c)(7) was amended by P.L. 94–568, 1976–2 C.B. 596. Prior to the amendment, IRC 501(c)(7) provided that clubs needed to be organized and operated **exclusively** for pleasure, recreation and other nonprofitable purposes. A club could only receive investment income or nonmember income if the income was incidental, trivial or nonrecurrent to its tax exempt purpose.

    C. The effect of IRC 501(c)(7) being changed to provide that "substantially all" of a club's activities must be for recreational purposes is to allow social clubs to receive some investment income and income from nonmember use of its club facilities without jeopardizing its tax exempt status.

    D. Support received by members is not taxed, but any other income such as nonmember payments and passive income is taxed under IRC 512(a)(3). See discussion on section 512(a)(3) in IRM 7.27.7. Some familiarity with IRC 512(a)(3) is helpful in understanding the tax status of social clubs because exemption operates properly only if passive sources of income are taxed to the organization as unrelated business taxable income.

3. Organizations which may be described in IRC 501(c)(7) include, but are not limited to:

    - College fraternities (See Rev. Rul. 69–573, 1969–2 C.B. 125, and Rev. Rul. 64–118, 1964–1 C.B. 182).
    - Country clubs
    - Amateur hunting, fishing, tennis, swimming and other sport clubs.
    - Dinner clubs which provide a meeting place, library, and dining room for members.
    - Variety clubs
    - Hobby clubs (See Rev. Rul. 66–179, 1966–1 C.B. 139).
    - Community associations (See Rev. Rul. 69–281, 1969–1 C.B. 155, and Rev. Rul. 80–63, 1980–1 C.B. 116).

7.25.7.2 (02-23-1999)
Organizational Requirements

1. Organizations seeking exemption under IRC 501(c)(7) need to satisfy the following statutory requirements:

    - a club,
    - 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 of which inures to the benefit of any private shareholder, and
    - the club does not have a written policy which discriminates against individuals seeking membership on the basis of race, color, or religion.

7.25.7.2.1 (02-23-1999)
Club

1. IRC 501(c)(7) does not define what is a "club" .
2. Characteristics of a club include:
    - membership of individuals,
    - the existence of personal contact,
    - commingling,
    - fellowship among members,
    - sharing of active interests amongst members, and
    - sharing of goals by members justifying the existence of the organization.

7.25.7.2.1.1 (02-23-1999)
Composed of Individuals

1. A club's membership should consist of individual members, and not associations composed wholly of artificial persons or member clubs. Thus, a state-wide or nation-wide organization, composed of individuals broken up into local groups, satisfies this requirement if fellowship constitutes a material part of the life of each local group. See Rev. Rul. 67–428, 1967–2 C.B. 204.

7.25.7.2.1.1.1 (02-23-1999)
Classes of Membership

1. Clubs may have more than one class of membership, such as:
    - regular,
    - associate,
    - corporation-sponsored, and
    - corporate.
2. If a club has more than one class of membership, each membership class should have eligibility requirements and a formal admittance procedure, even for a nonvoting class. With such bona fide members, the memberships are not a sham and the club is not a subterfuge for a regular business operation. However, see IRM 7.25.7.2.3.
3. If a second class of member has the right to use a club facility on the payment of nominal yearly dues plus charges for services utilized, then the club may not be exempt because the club will be engaged in the business of selling services for profit to an unlimited number of individuals. (See Rev. Rul. 58–588, 1958–2 C.B. 265).

7.25.7.2.1.1.2 (02-23-1999)
Rights and Privileges

1. Member's rights and privileges are as follows:
    A. A regular member has the right to vote and determine the management, operation and control of the club. He/she will generally share in the assets of the club in the event of dissolution.

B. An associate member has no right to vote and will not generally share in the assets in the event of dissolution. In some cases, both regular and associate members may be entitled to the use and enjoyment of all club facilities, or may be limited to the use of a part of the facilities (i.e., golf only, tennis only, clubhouse only, etc.).

C. A corporation-sponsored member is an individual who is sponsored by a corporation, partnership, sole proprietorship, or other business entity, and has been accepted by the membership committee of the club. Such a member has all of the rights and privileges of regular individual members. (See Rev. Rul. 74–168, 1974–1 C.B. 139).

D. A corporate member is a membership issued to a corporation, an artificial entity. The corporation designates which of its officers and employees may use the club's facilities. This type of membership is not within the contemplation of the statute, and a club having such membership is, in fact, dealing with the general public. (See Rev. Rul. 74–489, 1974–2 C.B. 169).

7.25.7.2.1.2 (02-23-1999)
Commingling

1. Commingling of members is a material part in the life of an organization. Commingling is present if such things as meetings, gatherings, and regular facilities are evident. Lack of commingling indicates a basic purpose of providing personal services and goods to the membership in a manner similar to commercial counterparts.

2. Significant revenue rulings concerning commingling:

    - 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.

7.25.7.2.1.3 (02-23-1999)
Fellowship/personal contacts

1. Face to face interaction is important for members of a social club. Organizations that do not afford opportunities for personal contact among members, (or there is such contact, but it is incidental to the primary purpose) are not entitled to exemption even though organized not for profit with no part of their earnings inuring to the benefit of shareholders. See Rev. Rul. 55–716, 1955–2 C.B. 263.

7.25.7.2.1.4 (02-23-1999)
Sharing of Interests/Goals

1. Clubs that share a common goal or interests include:

    - A mineralogical or lapidary society (See Rev. Rul. 67–139, 1967–1 C.B. 129)
    - Garden clubs (See Rev. Rul. 66–179, 1966–1 C.B. 139).

2. If a club does not violate the requirements of IRC 501(i), a club can limit its membership under criteria that are not directly related to social or recreational purposes or to activities. Thus, a club is permitted to restrict membership to the members of a particular political party (Rev. Rul. 68–266, 1968–1 C.B. 270) and homeowners in a specific housing development (Rev. Rul. 69–281, 1969–1 C.B. 155). As to the latter type of club, Rev. Rul. 69–281 requires that the developer not control the club.

7.25.7.2.2 (02-23-1999)
Recreational Purposes

1. Social clubs must be organized for pleasure, recreation, and other nonprofitable purposes. The governing instrument cannot authorize a club to engage in activities beyond the scope of IRC 501(c)(7) to a degree to prevent the organization from being described as a social club. This does not prevent a club's governing instrument from authorizing the club to use its funds for charitable, educational, or like activities because, by reference to IRC 512(a)(3)(B), it is apparent that Congress intended to allow a social club to use funds for those purposes.

2. A social club is not organized for exempt purposes if it provides assistance in the form of services to its members, rather than social activities.

    - See Rev. Rul. 69–527, 1969–2 C.B. 125.

    - See *Keystone Automobile Club v. Comm.* , 181 F. 2d 402 (3d Cir. 1950); *Allied Trades Club v. Comm.*, 228 F. 2d 906 (3d Cir. 1956); *Chattanooga Automobile Club v. Comm.*, 182 F. 2d 551 (6th Cir. 1950); *Automobile Club of St. Paul v. Comm.*, 12 T.C. 1152 (1949); Rev. Rul. 69–635, 1969–2 C.B. 126. (Automobile clubs were not exempt under IRC 501(c)(7) because commercial services were provided to members, and there was no commingling or social facilities present).

3. Clubs that provide social activities and in addition provide other exempt non-social activities may not qualify for exemption.

    - See *Allgemeiner Arbeit Verein v. Comm.*, 24 T.C. 371 (1955), aff'd per curiam, 237 F. 2d 604 (3d Cir. 1956). See also Rev. Rul. 63–190, 1963–2 C.B. 212. (Organization operated as a social club, and provided for sickness and death benefits for its members. The club was not operated exclusively for the purposes stated in IRC 501(c)(7).)

4. Organizations with powers in their governing document beyond IRC 501(c)(7) need to amend their governing instrument to remove the non IRC 501(c)(7) power. Once the document is amended, the organization is exempt provided its operations also satisfy the requirements of the statute.

A. Exemption is recognized for the same period it would have been exempt if no amendment had been necessary provided that the club did not act in accordance with the defective provision.

B. Organizations operating under a disqualifying charter provision and removing it later will be exempt effective the first annual accounting period in which the proscribed activity was not carried on.

Example:

In 1981 a social club was organized and commenced operations. It is a calendar year taxpayer. Its articles of incorporation provide for the payment of certain disability payments to its members. These payments are in conflict with the requirements of IRC 501(c)(7). Payments are made to members only in 1981 and 1982. The club applies for tax-exemption as an IRC 501(c)(7) organization in 1982. In 1984, its articles are amended to conform to the requirements of IRC 501(c)(7). Exemption is recognized in 1984, to be effective as of the first day of January 1983.

7.25.7.2.3 (02-23-1999)
Inurement

1. The statute prohibits exemption if any part of the organization's net earnings inures to the benefit of any private shareholder. The term "shareholder" includes a member of an organization. See *West Side Tennis Club v. Comm.*, 111 F. 2d 6 (2d Cir. 1940).

2. Inurement includes:

    A. Overt distributions such as dividends and bonuses.

    B. Unreasonable salaries to officers.

C. Excessive purchase price or rent of facilities under circumstances other than arms' length transactions.

D. Income from nonmember sources used to reduce the cost of providing services to members. See Rev. Rul. 58–589, 1958–2 C.B. 266. However, see discussion on the extent to which nonmember income is permissible for social clubs.

E. Higher disproportionate payments for services and use of facilities by nonvoting members than voting members. Rev. Rul. 70–48, 1970–1 C.B. 133.

F. A difference in dues or fees does not result in inurement if there is a reasonable basis for the difference, such as where the classes of members have different rights to use of club facilities or club assets. In *Pittsburgh Press Club v. U.S.*, 536 F.2d 572 (3d Cir. 1976), the Third Circuit held that there was no inurement because use of the club's facilities was roughly proportional to the amount of dues charged each class, even though all classes of members had equal rights to the club's facilities. The Court also held that the benefit inuring to the active members was de minimis because it was limited to the difference between $30 dues paid by the active members versus the average amount of dues that was paid by the membership as a whole, approximately $63.70. The court's disagreement with the Service's position on this issue was essentially a factual determination and should not be relied upon in deciding other cases.

7.25.7.2.4 (02-23-1999)
Distribution to Members

1. Liquidating distributions to club members after sale of club assets are consistent with exemption under IRC 501(c)(7) and does not constitute inurement. Rev. Rul. 58–501, 1958–2 C.B. 262.

   A. A club's exemption under IRC 501(c)(7) is not adversely affected if it redeems stock held by a member and the amount paid, although in excess of the original cost to the member, reflects the value of the underlying assets of the club. Rev. Rul. 68–639, 1968–2 C.B. 220.

   B. Distributions to club members in the form of prizes for winning club recreational events are consistent with exemption under IRC 501(c)(7). Rev. Rul. 74–148, 1974–1 C.B. 138.

   C. A club is not exempt under IRC 501(c)(7) if the money for the prizes is raised from the public. See Rev. Rul. 56–475, 1956–2 C.B. 308.

2. The tax consequences of a distribution by an exempt social club of cash or property to its members is unrelated to the tax consequences upon the members. Consequently, such a distribution may not affect a club's IRC 501(c)(7) exempt status and yet create taxable income to its members under IRC 301.

7.25.7.2.5 (02-23-1999)
Discrimination Provisions

1. IRC 501(i) disqualifies any social club from being exempt under IRC 501(c)(7) if it has a written policy of discrimination against any person on the basis of race, color or religion.

   A. A written membership limitation with respect to individuals of a particular national origin will not disqualify the club for exemption.

   B. This provision should be interpreted and applied literally and only prohibits discriminatory language; an affirmative statement of nondiscrimination is not required. Thus a social club having such prohibited discriminatory provisions in its charter can prospectively re-establish exempt status by deleting such provisions from its charter.

2. IRC 501(i) was amended by P.L. 96–601, enacted Dec. 24, 1980 (effective for all taxable years beginning after Oct. 20, 1976) which provides that social clubs are allowed to retain their exemption even though their membership is limited (in writing) to members of a particular religion if:

    A. the social club is an auxiliary of a fraternal beneficiary society which is exempt under IRC 501(c)(8); or

    B. the club is an alumni club whose membership limitation is a good faith attempt to further the teachings or principles of that religion, and is not intended to exclude individuals of a particular race or color.

3. The statute does not require a club to have a certain percentage, or even any, of its members from different, racial or religious groups. So long as there are no written restrictions, a club does not violate the discrimination provisions.

7.25.7.3 (02-23-1999)
Club as Subterfuge

1. The determination whether a particular organization is a club will often depend on criteria other than the relationship of its members to each other.

2. The organization and operation of a club in a manner which constitutes a subterfuge for doing business with the public is inconsistent with the term "club" as used in IRC 501(c)(7) and disqualifies it from exemption.

3. Clubs may be created as a sham to circumvent State and local liquor laws, zoning ordinances, or the laws enforcing civil rights. Careful consideration should be given to the question whether an organization is a business operation rather than a club whenever:

    A. membership requirements are broad or vaguely stated;

    B. the initiation charges or dues are so low that one-time or transient use of the facilities by the general public is encouraged;

    C. management is strenuously engaged in expanding club membership; or

    D. management can effectively perpetuate itself through close physical and financial ties to club activities or facilities, or by other means.

4. Important Revenue Rulings:

    - Rev. Rul. 65–219, 1965–2, C.B. 168.
    - Rev. Rul. 67–302, 1967–2 C.B. 203.
    - Rev. Rul. 66–225, 1966–2 C.B. 227.
    - Rev. Rul. 66–360, 1966–2 C.B. 228.

7.25.7.4 (02-23-1999)
Member Business Use

1. Rev. Proc. 71–17, 1971–1 C.B. 683, provides that personal business use of club facilities by club members furthers a club’s social or recreational purposes, even if the employer pays the cost of the use of club facilities. However, the revenue procedure makes it clear that the use must be a member’s use and not a device to permit the public, in the form of an employer or fellow employees, to use club facilities.

2. Corporations may sponsor and pay the dues and assessments of specific members without affecting the exempt status of a club. However, sponsored members must not be treated differently than other members as to rights, privileges and admissions procedures. Rev. Rul. 74–168, 1974–1 C.B. 139.

7.25.7.5 (02-23-1999)
Dealing with Public

1. Social clubs are permitted to receive a certain amount of income from the general public and investments because P.L. 94–568 substituted "substantially all" for "exclusively " in IRC 501(c)(7).

2. The following table explains the consequences of receiving income from outside of the club membership.

IF THE ORGANIZATION	THEN
Receives 35% of its gross receipts from investments	The organization may maintain its exemption under IRC 501(c)(7).
Receives no more than 15% of its gross receipts from nonmember use of club facilities and/or services.	the organization may maintain its exemption under section 501(c)(7).
Receives 35% of its gross receipts from outside its membership and no more than 15% of its gross receipts are derived from nonmember use of club facilities.	the organization may maintain its exemption under IRC 501(c)(7).
Exceeds the 35% and/or 15% limitations.	the organization may maintain its exempt status if it can show through facts and circumstances that "substantially all" of its activities are for "pleasure, recreation, and other nonprofitable purposes."

3. Reg. 1.501(c)(7)–1 states that the conduct of business activities, including public use of a club's social and recreational facilities, is incompatible with exemption. It has not yet been changed to reflect the amendment to P.L. 94–568.

7.25.7.5.1 (02-23-1999)
Gross Receipts

1. Senate Report 1318, 94th Cong. 2d Sess., defines gross receipts as those receipts from the traditional, normal, and usual activities of the club.

2. The receipt of unusual amounts of income by a club, such as from the sale of a clubhouse or similar facility, is not to be included in either the numerator or the denominator for purposes of computing the 35% or 15% allowances. Accordingly, if a club is precluded from exemption because of a non-traditional business, the statutory change would have no effect on the failure to qualify.

3. Gross receipts include:

   - charges,
   - admissions,
   - membership fees,
   - dues,
   - assessments,

- investment income (such as dividends, rents, and similar receipts), and
- normal recurring gains on investments, but excluding initiation fees and capital contributions.

4. The membership initiation fees, but not normal dues, charged by college fraternities and sororities are included in their gross receipts, even though initiation fees are ordinarily excluded. (See S.Rept. 94–1318, 2d Sess., 1976–2 C.B. 597, 599).

5. Investment income set aside for religious, charitable, scientific, literary, educational, etc., purposes (the purposes specified in IRC 170(c)(4)) or the reasonable cost of administration of these activities by a club, is exempt function income and not subject to the unrelated business income tax under section 512(a)(3).

A. For purposes of the 35% test, "set-aside " income is included in both the numerator and the denominator, and if this exempt function income causes the organization to exceed the 35% limit, the organization loses its exempt status (unless the facts and circumstances of the case warrant otherwise).

7.25.7.5.2 (02-23-1999)
Facts and Circumstances

1. As previously discussed, if a club exceeds the 15/35% test, then it will maintain its exempt status only if it can show through facts and circumstances that "substantially all" of its activities are for "pleasure, recreation and other nonprofitable purposes."

2. The following are important facts and circumstances to take into account to determine whether a club may maintain its exemption under IRC 501(c)(7):

   A. Frequency of use of the club facilities or services by nonmembers. An unusual or single event (that is, nonrecurrent on a year to year basis) that generates all the nonmember income should be viewed more favorably than nonmember income arising from frequent use by nonmembers.

   B. Record of nonmember use over a period of years. A high percentage in one year by nonmembers, with the other years being within permitted levels, is viewed more favorably than a consistent pattern of exceeding the limits, even by relatively small amounts. (See S. Rept. 94–1318, 2d Sess., 1976–2 C.B. 597,599).

   C. Purposes for which the club's facilities were made available to nonmembers.

   D. Whether the nonmember income generates net profits for the organization.

3. Facts and circumstances were considered in determining whether a club had excessive nonmember income.

   A. In *Pittsburgh Press Club v. U.S.* , 536 F.2d 572 (1976); 579 F.2d 751 (1978); and 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 amount of net profits derived from the nonmember income.

Note:

While the court decision dealt with taxable years prior to the enactment of P.L. 94–568, (changing the language of IRC 501(c)(7) from " exclusively" to "substantially all"), these factors are relevant in applying the facts and circumstances test mandated by the legislative history.

B. In determining a club's net profits from nonmember use, the court found it proper to charge against the outside banquet income the cost of goods sold, as well as those variable costs directly attributable to outside banquets (such as sales taxes, salaries of employees earned while assigned to outside functions, and supplies used specifically for the outside functions). The court found it improper, however to charge against the outside banquet income fixed costs which the club's members would have to bear in the absence of nonmember income (such as rent, depreciation, utilities, maintenance, etc.)

Note:

The court sanctioned this allocation method only with regard to determining net profits from nonmember income. For example, this situation should be distinguished from the proper method of allocating expenses for the purpose of determining unrelated business income tax in cases involving dual use of facilities or personnel provided for in Reg. 1.512(a)–1.) See Exhibits 1 through 3 of IRM 4.76.8 (concerning examinations of social and recreational clubs) for several methods of calculating net profit on nonmember business.

C. This particular concept of net profits from nonmember income is relevant only where a club derives over 15% of its gross receipts from nonmembers which then requires an examination of all the facts and circumstances.

7.25.7.5.3 (05-21-2004)
Host-Guest Relationships

1. A social club may derive up to 15% of its gross receipts from nonmember use of club facilities and/or services without jeopardizing its exempt status. It is important to distinguish nonmember use from member use of the facilities and services. An issue that arises is whether an individual or a group is a true guest of a member. This is important because income from bona-fide guests is treated as member income. The amendment to IRC 501(c)(7) by P.L. 94–568 does not affect what constitutes public use of club facilities and prior precedent on this question should still be followed.

2. Rev. Proc. 71–17. 1971–1 C.B. 683, describes circumstances under which nonmembers who use a club's facilities will be assumed to be guests of members.

If	Then
a group consists of eight or less people and one person in the group is a member	the nonmembers are guests provided the member or member's employer pays.
75% of a group consists of members	assume the nonmembers in the group are guests provided the member or member's employer pays.
nonmember use does not fall within either of the above	the club must maintain books and records of each use and amount of income even if the member pays.

3. Records need to be maintained to substantiate these scenarios. If records are not maintained in accordance with Rev. Proc. 71–17, then assumptions and minimum income standard may not be used.

4. These assumptions will also be applied for computing a club's exempt-function income under IRC 512(a)(3). See IRM 7.27.7 for discussion of unrelated business income. See section 4.03 of Revenue Procedure 71–17 for a complete listing of the required information.

5. Guests are not considered visiting members of another social club, where the visiting members are in a similar club, and are permitted to use the facility under a reciprocal arrangement. See Rev. Rul. 79–145, 1979–1 C.B. 360 and Rev. Rul. 60–324, 1960–2 C.B. 173.

7.25.7.6 (02-23-1999)
Traditional v. Nontraditional

1. Activities conducted by a social club need to further its exempt purposes. Traditional business activities are traditional those that further a social club's exempt purposes. Nontraditional business activities do not further the exempt purposes of a social club even if conducted solely on a membership basis.

7.25.7.6.1 (02-23-1999)
Traditional Business Activities

1. Social clubs are permitted to receive no more than 15% of its gross receipts from the use of its facilities by the general public, i.e, from traditional business activities.
2. Traditional business activities include income from investments since investing is a normal and usual activity for a social club.
3. Other examples of permitted traditional business activities include:
    A. Legal or illegal gambling engaged in by members and guests of a social club. Rev. Rul. 69–68, 1969–1 C.B. 153.
    B. Sale of food and beverages at a club's facility for on premises consumption.
    C. Provision of athletic facilities for members' use.
    D. Sale of timber by a hunting club to protect and preserve fish, birds, game and natural resources.

7.25.7.6.2 (02-23-1999)
Nontraditional Business Activities

1. Social clubs are not permitted to receive income from nontraditional business within the 15 or 35 percent allowances.
2. Social clubs may lose their tax exempt status if the nontraditional business activities **are not** incidental, trivial or nonrecurrent.
3. Examples of nontraditional business activities include:
    A. The sale of package liquor to members for off premises consumption. See Rev. Rul. 68–535, 1968–2 C.B. 219.
    B. Sale of take out food to members.
    C. Provision of personal services to club members, such as the operation of a gas station, flower shop, barber shop, and long term room rental.

7.25.7.6.3 (02-23-1999)
Leasing and Rental Activities

1. Effect of rental income from members appears to depend on the primary thrust of the club. If the principal purpose of the organization is to provide housing, a club is not exempt under IRC 501(c)(7). If it is evident that a club is social or recreational in nature, rental activities restricted to members are usually compatible with exemption under IRC 501(c)(7).
2. Important Revenue Rulings
    - Rev. Rul. 68–168, 1968–1 C.B. 269
    - Rev. Rul. 64–118, 1964–1 C.B. 182

Note:

To the extent that any of the following rulings are inconsistent with Public Law 94–568, they should be disregarded for taxable years beginning after October 20, 1976. See 7.1.

7.25.7.7 (02-23-1999)
Digests of Published Rulings and Procedures

1. Income from services—An organization formed for the purpose of furnishing television antenna service to its members is not entitled to exemption from Federal income tax under IRC 501(c)(7). Rev. Rul. 55–716, 1955–2 C.B. 263.

2. Operating meeting place—An organization that owns and operates a building and conducts club activities for the benefit of a tax-exempt lodge may itself be exempt as a social club. Rev. Rul. 56–305, 1956–2 C.B. 307.

3. Stock car activities; race proceeds to members—A nonprofit corporation formed to promote interest in stock cars is not exempt if it conducts races and part of the proceeds from public admissions is distributed to members participating in races. Rev. Rul. 56–475, 1956–2 C.B. 308.

4. Sale and distribution of liquidated assets—Where a social club, qualified for tax exemption under IRC 501(c)(7), finds it impracticable to conduct its exempt activities and, as a result, sells its property and liquidates, such sale is incidental to its exempt purposes and the club is still to be considered as operated exclusively for pleasure, recreation and similar purposes up through the date of the sale and distribution of the liquidated assets to its active members. Rev. Rul. 58–501, 1958–2 C.B. 262.

5. Income from fees for services—An organization formed by several individuals to operate a health and recreational 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 social club under section 501(c)(7). Rev. Rul. 58–588, 1958–2 C.B. 265.

6. Criteria for establishing exemption—Criteria or tests are set forth for determining whether an organization qualifies for exemption from tax under IRC 501(c)(7). Rev. Rul. 58–589, 1958–2 C.B. 256.

7. Use by outside organizations—A social club exempt from Federal income tax under IRC 501(c)(7) 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. Rev. Rul. 60–324, 1960–2 C.B. 173.

8. Sick and death benefit for members—A nonprofit organization (not operated under the lodge system) that maintains a social club for members and also provides sick and death benefits for members and their beneficiaries, does not qualify for exemption for Federal income tax either as a social club under IRC 501(c)(7), a civic league under IRC 501(c)(4), or a fraternal beneficiary society under IRC 501(c)(8). Rev. Rul. 63–190, 1963–2 C.B. 212.

9. Chapter house—An organization does not qualify for exemption from Federal income tax under IRC 501(c)(3) as an educational organization where its primary activity is to furnish on a rental basis, a chapter house to a fraternity. However, a corporation, fund, or foundation so organized may, under proper circumstances, be classified as a club organized and operated exclusively for pleasure, recreation and other nonprofitable purposes and exempt from Federal income tax under IRC 501(c)(7). Rev. Rul. 64–118, 1964–1 (Part l) C.B. 182.

10. Sports car events; admissions fees—A nonprofit organization that, 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 under IRC 501(c)(7). Rev. Rul. 65–63, 1965–1 C.B. 240.

11. Distribution of condemnation proceeds—A distribution of cash to the members of a club formed for the purpose of providing hunting and fishing facilities for its members through a propagation and stocking of fish and game on the club property does not adversely affect its exemption from Federal income tax where such distribution represents an amount received from the state highway department in payment of land condemned for road building purposes. Rev. Rul. 65–64, 1965–1 C.B. 241.

12. Management agreement—A swimming club that is operated under an agreement with its resident agent whereby he/she controls the size of the club membership, the amounts of initiation fees, and annual club dues and retains all initiation fees and ninety percent of dues and transfer fees in return for the exclusive use of the swimming pool that he/she owns and operates is a commercial venture operated for the agent's benefit and is not exempt from Federal income tax. Rev. Rul. 65–219, 1965–2 C.B. 168. (Distinguished by Rev. Rul. 67–302, 1967–2 C.B. 203.)

13. Income from investments—A social club is not exempt from Federal income tax under IRC 501(c)(7) of the Code where it regularly derives a substantial part of its income from nonmember sources, such as dividends and interest on investments that it owns. However, the right of a social club to exemption is not affected by the fact that for a relatively short period a substantial part of its income is derived from investment of the proceeds of the sale of its former clubhouse pending the acquisition of a new clubhouse. Rev. Rul. 66–149, 1966–1 C.B. 146.

14. Facilities operated for exempt parent—A subsidiary of a veterans' organization that holds title to a building housing its parent, that is exempt under IRC 501(c)(4), maintains the building, and operates the social facilities located in the building, does not qualify for exemption under IRC 501(c)(2) or IRC 501(c)(4), but does qualify for exemption under IRC 501(c)(7). Rev. Rul. 66–150, 1966–1 C.B. 147.

15. Garden club—Depending upon its form of organization and method of operation an organization commonly referred to as a " garden club" may qualify for exemption from Federal income tax as a charitable or educational organization described in IRC 501(c)(3), a civic organization described in IRC 501(c)(4), a horticultural organization described in IRC 501(c)(5), or a social club described in IRC 501(c)(7). The proper classifications for exemption are illustrated by the four situations set out in the ruling. Rev. Rul. 66–179, 1966–1 C.B. 139.

16. Control by taxable corporation—A nonprofit organization which provides entertainment for its members does not qualify for exemption under IRC 501(c)(7) where it is controlled by a taxable corporation and operated as an integral part of such corporation's business. Rev. Rul. 66–225, 1966–2 C.B. 227.

17. Control by business corporation—When a national sorority is created and controlled by a business corporation engaged in furnishing services and supplies to the sorority and its member chapters, neither the sorority nor its chapters can qualify for exemption from Federal income tax under IRC 501(c)(7) or IRC 501(c)(4). Rev. Rul. 66–360, 1966–2 C.B. 228.

18. Family historical and social activities—A nonprofit membership corporation that was formed to bring the members of a particular family into closer association through social and historical activities is exempt under IRC 501(c)(7). Rev. Rul. 67–8, 1967–1 C.B. 142.

19. Mineralogical and lapidary activities—An organization of persons interested in mineralogical and lapidary activities that is primarily operated to accommodate its members in their recreational pursuits may qualify for exemption under IRC 501(c)(7), or where the activities serve to educate the public or individuals it may qualify under IRC 501(c)(3). A federation of such groups whose purpose is to prepare and provide informational programs for the use of its member organizations may qualify for exemption under IRC 501(c)(3). Rev. Rul. 67–139, 1967–1 C.B. 129.

20. Management agreement—A social club that entered into a management and lease agreement for the management and operation of its facilities by the lessor may be exempt under IRC 501(c)(7) where the club retains control over the selection of its membership, the amount of initiation fees and dues, has an option to purchase the property leased by the club, and can terminate the agreement. Rev. Rul. 67–302, 1967–2 C.B. 203 (Distinguishes Rev. Rul. 65–219, 1965–2 C.B. 168.)

21. Federation of Clubs—A federation of clubs does not qualify for exemption from Federal income tax under IRC 501(c)(7). Rev. Rul. 67–428, 1967–2 C.B. 204.

22. Business of a subsidiary—The activities of a taxable subsidiary of an otherwise exempt social club are considered activities of the parent club for purposes of determining whether the parent is engaging in business with the general public for profit. Rev. Rul. 68–74, 1968–1 C.B. 267.

23. Admission charges—A social club does not jeopardize its exemption under IRC 501(c)(7) by charging the public admission to a club sporting meet if the meet is open to the general public, both as spectators and as participants, and the general expenses of the meet are met from admission charges and sale of programs and refreshments, and provided participation in the meet is in furtherance of the general club purposes. Rev. Rul. 68–119, 1968–1 C.B. 268.

24. Leasing building lots—A nonprofit organization that leases building lots to its members on a long term basis is not exempt under IRC 501(c)(7). The revenues are not raised from the members' use of recreational facilities or in connection with the organization's recreational activities. The lease activities are not incidental to or in furtherance of social club purposes. Rev. Rul. 68–168, 1968–1 C.B. 269.

25. Membership restricted—A nonprofit social club composed of persons who are members of a particular political party and persons interested in the affairs of such party may be exempt under IRC 501(c)(7) even though it occasionally invites political candidates to address its members. Rev. Rul. 68–266, 1968–1 C.B. 270.

26. Operating bar and restaurant—A social club that, in addition to its social, athletic, club house, restaurant, and bar activities for its members, regularly sells liquor by the bottle to members for consumption off its premises is not operated exclusively for pleasure, recreation, and other nonprofitable purposes and is not exempt under IRC 501(c)(7). Rev. Rul. 68–535, 1968–2 C.B. 219.

27. Golf tournament—A club formed to maintain a country club for the promotion and enjoyment of golf for its members, receives, as host of an annual golf tournament, substantial income from the public, and uses the income for club operating expenses and improvements is not exempt under IRC 501(c)(7). Rev. Rul. 68–638, 1968–2 C.B. 220.

28. Redemption of stock in an amount exceeding original cost—A club's exemption is not adversely affected if the club redeems stock of certain members at a price in excess of the original cost to them, which amount reflects the increase in the club's net worth resulting from revenue raised through use of club facilities by members. Rev. Rul. 68–639, 1968–2 C.B. 220.

29. Gaming devices; illegal under local law—The operation of gaming devices by a nonprofit club for the pleasure of its members and guests does not affect the club's exempt status, even though the operation of gaming devices is illegal under local law. Rev. Rul. 69–68, 1969–1, C.B. 153.

30. Golf course; open to the public—A social club that regularly holds its golf course open to the general public, charging established green fees that are used for maintenance and improvement of club facilities, is not exempt under IRC 501(c)(7). Rev. Rul. 69–219, 1969–1 C.B. 153.

31. Rental income—A social club that receives a substantial portion of its income from the rental of property and uses such income to defray operating expenses and to improve and expand its facilities is not exempt under IRC 501(c)(7). Rev. Rul. 69–220, 1969–1 C.B. 154.

32. Sale of property; examples—Three situations illustrate the effect of the sale of property on the exempt status of an IRC 501(c)(7) social club. Rev. Rul. 69–232, 1969–1 C.B. 154.

33. Membership; homeowners—A social club providing exclusive and automatic membership to home owners in a housing development, with no part of its earnings inuring to the benefit of any member, may qualify for exemption under IRC 501(c)(7). Rev. Rul. 69–281, 1969–1 C.B. 155.

34. Business problems discussed—A social club formed to assist its members in their business endeavors through study and discussion of problems and other activities at weekly luncheon meetings does not qualify for exemption under IRC 501(c)(7). Rev. Rul. 69–527, 1969–2 C.B. 125.

35. Chapter house—An organization built a chapter house with proceeds from contributions by students and alumni. The house serves as a social center for members and has living quarters, study rooms, and a library. The organization is not exempt under IRC 501(c)(3) but may be exempt under IRC 501(c)(7). Rev. Rul. 69–573, 1969–2 C.B. 125.

36. Federation of clubs; automobile service—An organization whose principal activity is rendering automobile services to its members but has no significant social activities does not qualify for exemption under IRC 501(c)(7). Rev. Rul. 69–635, 1969–2 C.B. 126.

37. Facilities used for charitable fund-raising—The exempt status of a country club will not be adversely affected if it makes its facilities available to an exempt organization for charitable fund-raising activities at a charge equal to or less than direct cost. Rev. Rul. 69–636, 1969–2 C.B. 127.

38. Flying club—A flying club providing economical flying facilities for its members but having no organized social and recreation program does not qualify for exemption under IRC 501(c)(7). Rev. Rul. 70–32, 1970–1 C.B. 132.

39. Dues and fees; active and associate members—A social club whose active members pay substantially lower dues and initiation fees than associate members, although both classes enjoy the same rights and privileges in the club facilities, does not qualify for exemption under IRC 501(c)(7). Rev. Rul. 70–48, 1970–1 C.B. 133.

40. Nonmember use of facilities; guidelines and recordkeeping requirements—Revenue Procedure 71–17 describes the record-keeping requirements for social clubs exempt under IRC 501(c)(7) with respect to nonmember use of their facilities; it sets forth guidelines for determining the effect of gross receipts derived from public use of the club's facilities on exemption and liability for unrelated business income tax. Rev. Proc. 71–17, 1971–1 C.B. 683.

41. Dog club—A dog club, exempt under 501(c)(7) of the Code, formed to promote the ownership and training of purebred dogs and conducting obedience training classes, may not be reclassified as an educational organization exempt under section 501(c)(3). Rev. Rul. 71–421, 1971–2 C.B. 229.

42. Agricultural; dog club—A club that promotes and protects a particular breed of dog not raised or used by members as farm animals is not exempt as an agricultural organization but may qualify for exemption as a social club. Rev. Rul. 73–520, 1973–2 C.B. 180.

43. Flying club—A flying club of limited membership that provides flying privileges solely for its members, assesses dues based on the club's fixed operating costs and charges fees based on variable operating expenses, and whose members are interested in flying for a hobby, constantly commingle in informal meetings, maintain and repair aircraft owned by the club, and fly together in small groups, qualifies for exemption under section 501(c)(7) of the Code. Rev. Rul. 74–30, 1974–1 C.B. 137.

44. Club conducting bowling tournaments—A nonprofit organization that conducts regular bowling tournaments for its members qualifies for exemption under section 501(c)(7) of the Code where its overall program is designed to effect a commingling of members for their pleasure and recreation. The awarding of

cash prizes to tournament winners from tournament entry fees is not inurement of net income to members. Rev. Rul. 74–148, 1974–1 C.B. 138.

45. Corporation sponsored members of social clubs—A club does not jeopardize its exemption under section 501(c)(7) of the Code by admitting corporation sponsored individuals who have the same rights and privileges as regular individual members and who must be approved by the membership committee. Rev. Rul. 74–168, 1974–1 C.B. 139.

46. Calcutta wagering pools—A social club is exempt from Federal income tax under section 501(c)(7) of the Code although it conducts a lottery, limited to members, or it operates a " calcutta" wagering pool in connection with an annual golf tournament for its members. Rev. Rul. 74–425, 1974–2 C.B. 373.

47. Corporate members—A country club that issues corporate memberships, is dealing with the general public in the form of the corporations' employees. Gross receipts from such members will be a factor in determining whether the club qualifies as a social club under section 501(c)(7) of the Code. Rev. Rul. 74–489, 1974–2 C.B. 169.

48. Homeowner Association; maintenance—While homeowner associations can be exempt under IRC 501(c)(7), it is contemplated that they conduct social or recreational activities. Maintenance of residential streets, trash collection, enforcing restrictive covenants and providing police and fire protection are not social or recreational activities. Rev. Rul. 75–494, 1975–2 C.B. 214.

49. Wagering; open to nonmembers—Amounts paid to a social club for participation in a calcutta (wagering pool) by visiting members of another social club are amounts paid by nonmembers within the meaning of Rev. Proc. 71–17, even though both clubs are of like nature and the amounts paid are for goods, facilities, or services provided by the host club under a reciprocal arrangement with the visiting members' social club. Rev. Rul. 79–145, 1979–1 C.B. 360.

50. Fees paid to members—An exempt social club may pay a reasonable fixed fee to members who bring in new members to the club without disqualifying the club from exemption. Rev. Rul. 80–130, 1980–1 C.B. 117.

51. Food and beverage sales to non-members—An exempt social club, in determining its unrelated business income, may not deduct from its net investment income losses incurred on sales of food and beverages to nonmembers where these sales have consistently over a number of years resulted only in losses, and there is every indication that such sales will continue to result in losses for the club. Rev. Rul. 81–69, 1981–1 C.B. 361.

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