

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

MAY 25 1982

Gentlemen:

We have considered your application for exemption from Federal income tax as an organization described in section 501(c)(7) of the Internal Revenue Code of 1954.

The information submitted in support of your application discloses that you were incorporated on [REDACTED] under Chapter [REDACTED] of the [REDACTED] Statutes. As taken from your Articles of Incorporation, the purpose of your organization is to secure snowmobile trails and to develop such trails over public, leased, and privately owned lands; promote snowmobiling as the great family sport it is through a speakers bureau, a safety program, effective self policing, and through informational meetings with non-snowmobilers.

As noted in your application and additional documentation, your organization presently consists of [REDACTED] club memberships and [REDACTED] individual/family memberships. These members engage in social and recreational activities sponsored by your organization and also avail themselves of the administrative services provided by your organization. To date you have sponsored a bowling tournament, dinner dance, etc. for member clubs and have acted as a liaison between the state snowmobile association, the DNR, etc. and member clubs. You also have acted as a coordinator between and among member clubs and coordinated activities between and among and of importance to the snowmobile clubs involved. One such matter agreed upon by the member clubs and voiced to the Tourism Council, via your organization, has been the opposition of opening club trails to the general public and opposition to publicizing the trails through the Tourism Council.

Section 501(c)(7) of the code provides for exemption from Federal income tax of clubs organized and operated substantially for pleasure, recreation and other non-profitable purposes provided no part of the net earnings inures to the benefit of any private shareholder.

The term "club" as used in the above section of law contemplates the comingling of individual members, one with the other, in fellowship. Personal contacts and fellowship must also play a material part in the life of an organization in order for it to come within the meaning of the term "club".

	Initiator	Reviewer	Reviewer	Reviewer	Reviewer	Reviewer	Reviewer
Code	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]			
Summary	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]			
Date	4/15/82	4/19/82	5/10/82	5/20/82			

Rev. Rul. 67-428, I.R.B. 1967-2, 204 further stated that the word "club" was intended to apply to organizations having individual members and not to associations composed wholly of artificial persons or member clubs.

Inasmuch as your organization is comprised almost entirely of member snowmobile clubs, you fail to meet the provisions of the code and the revenue ruling cited above. Consequently, you do not qualify for exemption from Federal income tax as an organization described in section 501(c)(7) of the Internal Revenue Code.

Furthermore, we have determined that you fail to qualify for exemption under section 501(c)(4) of the code because your social and recreational activities for members and your administrative and coordinating services for member clubs does not promote in some way the common good and general welfare of the people of the community. Rather such activities including the Tourism Council decision are for the common good and general welfare of the snowmobile clubs which are members of your organization. Section 1.501(c)(4)-1(2) of the regulations provides that, in general, an organization is operated exclusively for the promotion of social welfare if it is primarily engaged in promoting in some way the common good and general welfare of the people of the community. Unfortunately, your activities for member snowmobile clubs does not fall within such community benefit provisions and, therefore, exemption under such section must also be denied.

You are required to file Federal income tax returns on Form 1120.

If you do not agree with these conclusions, you may request Appeals Office consideration. To do this, you must submit to the District Director within 30 days from the date of this letter, a statement of facts, law, and arguments, in duplicate, which will clearly set forth your position. You also must state whether you wish an Appeals Office conference. Any submission must be signed by one of your principal officers. If the matter is to be handled by a representative, the Conference and Practice Requirements regarding the filing of a power of attorney and evidence of enrollment to practice must be met.

If we do not hear from you within the time specified, this communication will become our determination in the matter.

Very truly yours,


District Director

Enclosure:
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