

Section 1.501(c)(3)-1(a)(1) of the Income Tax Regulations provides that in order to be exempt as an organization described in section 501(c)(3), an organization must be both organized and operated exclusively for one or more of the purposes specified in such section. If an organization fails to meet either the organizational test or operational test, it is not exempt.

Section 1.501(c)(3)-1(c)(1) of the Income Tax Regulations provides that an organization will be regarded as "operated exclusively" for one or more exempt purposes only if it engages primarily in activities which accomplish one or more of such exempt purposes specified in section 501(c)(3). An organization will not be so regarded if more than an insubstantial part of its activities is not in furtherance of an exempt purpose.

An organization is not operated exclusively for one or more exempt purposes if its net earnings inure in whole or in part to the benefit of private shareholders or individuals.

Section 1.501(a)-1(c) of the Income Tax Regulations defines a private shareholder or individual as persons having a personal and private interest in the activities of the organization.

In Better Business Bureau v. U. S., 326 U.S. 279, the Supreme Court stated that the presence of even a single, non-exempt purpose, if more than insubstantial in nature, will defeat exemption under section 501(c)(3) of the Internal Revenue Code, regardless of the importance of the truly exempt purpose.

Revenue Ruling 63-190, C.B. 1963-2, 212, provides that an organization not operated under the lodge system, which maintains a social club for members and also provides sick and death benefits for members and their beneficiaries, does not qualify for exemption from federal income tax either as a social club under Internal Revenue Code sections 501(c)(7), a civic league under section 501(c)(4), or a fraternal beneficiary society under section 501(c)(8).

On the basis of the information provided, we have concluded that you do not qualify for tax-exempt status as an organization described in section 501(c)(3), 501(c)(4), 501(c)(7), or 501(c)(8) of the Internal Revenue Code because:

- a. You do not meet the organizational or operational test of section 501(c)(3) since your Constitution and Laws do not provide that the organization is organized for section 501(c)(3) purposes; it does not contain any limitations concerning benefits paid to private individuals; it does not contain a provision for the distribution of assets in the event of dissolution. Furthermore, your present objective includes providing assistance which inures to the benefit of private individuals.

- b. You do not meet the operational tests within sections 501(c)(4), 501(c)(7), or 501(c)(8) as provided with Revenue Ruling 63-190, C.B. 1963-2, 212.

Therefore, you are not organized and operated exclusively for charitable purposes under section 501(c)(3) of the Internal Revenue Code.

Contributions to your organization are not deductible under Internal Revenue Code section 170. You are required to file federal income tax returns on Form 1120. Also, the appropriate State official will be notified of this action in accordance with section 6104(c) of the Internal Revenue Code.

If you do not agree with our determination, you may request consideration of this matter by the Office of Regional Director of Appeals. To do this you should file a written appeal as explained in the enclosed Publication 892. Your appeal should give the facts, law, and any other information to support your position. If you want a hearing, please request it when you file your appeal and you will be contacted to arrange a date. The hearing may be held at the regional office, or, if you request, at any mutually convenient district office. If you will be represented by someone who is not one of your principal officers, that person will need to file a power of attorney or tax information authorization with us.

If you do not appeal this determination within 30 days from the date of this letter, as explained in Publication 892, this letter will become our final determination on this matter and a copy of this letter will be sent to the appropriate State officials in accordance with section 6104(c) of the Internal Revenue Code. Further, if you do not appeal this determination within the time provided, it will be considered by the Internal Revenue Service as a failure to exhaust available administrative remedies. Section 7428(b)(2) of the Code provides, in part, that, "A declaratory judgment or decree under this section shall not be issued in any proceeding unless the Tax Court, the Claims Court, or the district court of the United States for the District of Columbia determines that the organization involved has exhausted administrative remedies available to it within the Internal Revenue Service."

Sincerely yours,


District Director

Enclosure: Publication 892

cc: State Attorney General 