

Internal Revenue Service  
District Director

Department of the Treasury  
P.O. Box 1680, GPO  
Brooklyn, NY 11202

Date: MAR 13 1998

Person to Contact:  
Contact Telephone Number:  
Refer Reply to:

[REDACTED]

**CERTIFIED MAIL**

Gentlemen:

We have considered your application Form 1024, which you have filed for recognition of exemption under section 501(c)(4) of the Internal Revenue Code of 1986.

The evidence submitted indicates that you were organized on [REDACTED] in [REDACTED]. Your purpose is for the benefit, aid, assistance and relief of [REDACTED], [REDACTED], [REDACTED] and other persons employed in connection with [REDACTED], or their widows, children, or relatives, who are for any reason in need of financial assistance.

Your activities consist of providing financial assistance to needy persons who are employed in connection with thoroughbred horse racing.

Among the requirements for qualifying for financial assistance from your fund are the following:

- All applicants must have reached the age of sixty-five (65).
- The applicant must have been engaged in [REDACTED] as his "full-time occupation".
- The applicant must have held a [REDACTED] in [REDACTED] ( [REDACTED] ) and/or [REDACTED] for a period of twenty-five years. The applicant "must" provide documentation of this information.
- The applicant must be retired from [REDACTED] to receive benefits.

Your stated guidelines provide the following:

- The Assistance Fund reserves the right to grant or refuse any benevolence request regardless of the situation or part thereof.



- Any trainer who "does not" carry workmen's compensation can have any claim of his employees refused in work related cases.
- The Assistance Fund advises that any stable employee who is under the employ of a trainer without workmen's compensation does so at his own risk. The Assistance Fund may refuse any and all claims of this nature.

Section 501(c)(4) of the Code provides for the exemption from Federal income tax of civic leagues or organizations not organized for profit, but operated exclusively for the promotion of social welfare.

Section 1.501(c)(4)-1(a)(2) of the Income Tax Regulations provides that 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. An organization embraced within this section is one which is operated primarily for the purpose of bringing about civic betterments and social improvements.

Under section 75-199, a nonprofit organization that restricts its membership to individuals of good moral character and health belonging to a particular ethnic group residing in a stated geographical area and provides sick benefits to members and death benefits to their beneficiaries, is considered for exemption under section 501(c)(4) of the Code.

Activities of the organization consist of holding monthly meetings and maintaining an established system for the payment of sick and death benefits. The organization's income is derived principally from membership dues, and is used for the payment of benefits to members and for miscellaneous operating expenses.

A membership organization of the type here described is essentially a mutual benefit, self-interest type organization. Its income is used to provide direct economic benefits to members and any benefit to the larger community is minor and incidental. Where the benefit from an organization is limited to that organization's members (except for some minor and incidental benefit to the community as a whole), the organization is not operated exclusively for the promotion of social welfare within the meaning section-501(c)(4) of the Code. See *Consumer-Farmer Milk Cooperative v. Commissioner*, 186 F. 2d 878 (2d Cir. 1950), affirming 13 T.C. 150 (1949) and *New York State Association of Real Estate Boards Group Insurance Fund*, 54 T.C. 1325 (1970).

The distinction between social welfare organizations and mutual benefit societies is illustrated by comparing Rev. Rul. 54-394, 1954-2 C.B. 131, with Rev. Rul. 62-167, 1962-2 C.B. 142. Both rulings consider nonprofit organizations providing television reception in areas not adaptable to ordinary reception. Rev. Rul. 54-394 holds that an organization operating in such an area whose sole activity is providing television reception to its members on a cooperative basis does not qualify as a social welfare organization. On the other hand, Rev. Rul. 62-167 holds that

retransmitting television signals to the entire community without charge is a social welfare activity. The first activity is designed to benefit only the organization's members who have contracted to pay membership fees and monthly maintenance charges, while the second is made available to everyone within the area.

Accordingly, since the benefit from the organization in question is for its members and there is only minor and incidental benefit to the community as a whole, the organization does not qualify for exemption from Federal income tax under section 501(c)(4) of the Code.

As your requirements for eligibility for financial assistance, as well as your guidelines indicate certain restrictions, as indicated above, it is determined that your funds are used to provide direct economic benefits to a specific class of individuals, and any benefit to the community at large is minor and incidental.

In view of the foregoing, it is held that your organization does not qualify for exemption from Federal income tax under section 501(c)(4) of the Internal Revenue Code of 1986. Therefore, you are required to file Federal tax returns on Form 1120.

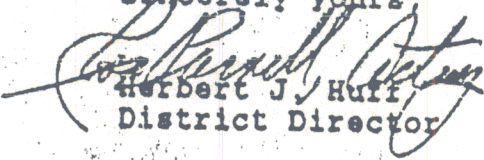
Contributions made to your organization are not deductible by the donor as charitable contributions as defined in section 170(c) of the Code.

If you do not agree with this determination, you may request a Conference with the Regional Director of Appeals by protesting in accordance with the enclosed instructions within 30 days.

Protests submitted which do not contain all the documentation stated in the instructions will be returned for completions.

If we do not hear from you within that time, this determination will become final.

Sincerely yours,

  
Herbert J. Huff  
District Director

Enclosure: Publication 892