

A war veterans' post which is primarily engaged in social welfare activities may qualify for exemption from Federal income tax under section 501(c)(4) of the Internal Revenue Code of 1954 notwithstanding the fact that it receives a substantial portion of its funds from bingo games open to the general public.

Advice has been requested whether a war veterans' post operated as described below qualifies for exemption from Federal income tax under section 501(c)(4) of the Internal Revenue Code of 1954.

The purposes of the post are to promote comradeship among its members, to assist war veterans and their dependents, and to promote patriotism in the United States. Membership in the post is limited to war veterans.

In addition to operation and maintenance of its facilities, the post's activities include veterans' programs and assistance to needy veterans, widows, and orphans. The post also conducts patriotic programs and participates in community welfare programs such as providing and furnishing playgrounds for children and sports programs for teenagers.

An important source of the post's income is weekly bingo games conducted by post members who donate their services. Bingo income is derived primarily from the general public. The post also derives income from membership dues and assessments. All income is used for the organization's social welfare programs. Except for its fund raising activities, this post operates in substantially the same manner as any other exempt veterans' organization.

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.

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 is not operated primarily for the promotion of social welfare if its primary activity is operating a social club for the benefit, pleasure, or recreation of its members, or is carrying on a business with the general public in a manner similar to organizations which are operated for profit.

See section 1.501(c)(4)-1 of the Income Tax Regulations.

If an organization primarily engages in activities which promote in some way the common good and general welfare of the people of the community, it will not lose its exemption from Federal income tax under section 501(c)(4) of the Code if it also engages in non-social welfare activities. The traditional

activities of war veterans' posts have long been recognized as promoting social welfare in their respective communities. It is not necessary to characterize the organization's bingo activities because, even if it is assumed that the bingo games are conducted in a manner similar to an organization operated for profit, such activity would not necessarily result in the organization's failure to qualify for exemption under section 501(c)(4). The fact that the organization's principal source of income is from the conduct of bingo games with the general public does not mean that the games are also its primary activity. All facts and circumstances are taken into account in determining an organization's primary activity, and the facts in this case clearly establish that the organization's social welfare activities are its primary activities. See Rev. Rul. 66-221, C.B. 1966-2, 220. Compare Rev. Rul. 68-46, below.

Because the organization is primarily engaged in veterans' activities and other social welfare programs, it is entitled to exemption from Federal income tax under section 501(c)(4) of the Code.

An organization which considers itself within the scope of this Revenue Ruling must, in order to establish exemption under section 501(c)(4) of the Code, file an application on Form 1024, Exemption Application, with the District Director of Internal Revenue for the internal revenue district in which is located the principal place of business or principal office of the organization. See section 1.501(a)-1 of the regulations.