

Domestic fraternal society; promotion of fortune telling method. A domestic fraternal society operating under the lodge system, which does not provide life, sick, accident, or other benefits, whose members are interested in the use of and philosophy behind a method of attempting to divine the future, and whose net income is used to provide instruction on the use of the method, maintain a reference library, and supply information on the method to the public, qualifies for exemption under section 501(c)(10) of the Code.

'Advice has been requested whether the organization described below is exempt from Federal income tax under section 501(c)(10) of the Internal Revenue Code of 1954.

'The organization is incorporated as a domestic fraternal society and is operated under the lodge system. It does not provide for the payment of life, sick, accident, or other benefits.

'The purpose of the organization is to provide a fraternal framework for social contact among its members who are interested in the use of and the philosophy behind a method used in attempting to divine the future. In furtherance of its purpose, the organization conducts monthly meetings and provides its membership with instructions on the use of the method. The instructions are conducted in steps or degrees with the organization certifying each member's competence upon completion of a step and acceptance into the next degree of membership.

'The organization's income is derived from membership dues. Expenditures are for operating costs related to its fraternal purpose. The remainder of its income is used to fund a reference library containing materials on foretelling the future, a slide/tape program dealing with the method and its history, and a program for supplying books on the method to public libraries. All of these activities are done without charge. The reference library is open to the public, and the slide/tape program is made available to church groups, social clubs, and similar organizations.

'Section 501(c)(10) of the Code provides for the exemption from Federal income tax of domestic fraternal societies, orders, or associations, operating under the lodge system-

(A) The net earnings of which are devoted exclusively to religious, charitable, scientific, literary, educational, and fraternal purposes, and

(B) Which do not provide for the payment of life, sick, accident, or other benefits.

The operation of the library, the maintenance of the slide/tape program, and the provision of the books to the public libraries are uses of the organization's income that are exclusively charitable and educational. By carrying on the fraternal and educational activities described above, the organization is operating as a fraternal society. Accordingly, since the organization operates under the lodge system, does not provide for the payment of life, sick, accident, and other benefits, and devotes its income exclusively to educational and fraternal purposes, it is exempt from Federal income tax under section 501(c)(10) of the Code.

'Even though an organization considers itself within the scope of this Revenue Ruling, it must file an application on Form 1024, Application for Recognition of Exemption, in order to be recognized by the Service as exempt under section 501(c)(10) of the Code. See section 1.501(a)-1 of the regulations. In accordance with the instructions to Form 1024, the application should be filed with the District Director of Internal Revenue for the key district indicated therein.