

Internal Revenue Service

Department of the Treasury

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Washington, DC 20224

Person to Contact:

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Refer Reply To:

T:EO:RA:T4/229431

Date:

May 6, 2002

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Dear xxxxxxxxxxxx:

This is in response to your March 1, 2002 letter asking for some information about fraternal organizations and religious and apostolic organizations. You have not requested a private letter ruling and have not paid the applicable fee for such a ruling letter. The following is provided for your general information only.

Section 501(c)(10) provides for exemption of fraternal beneficiary societies that operate under the lodge system, do not provide certain insurance type benefits to its members and devote net earnings to religious, charitable, scientific, literary, educational, and fraternal purposes. To be recognized as exempt under this section, an organization must first establish that it has a "fraternal" purpose and that it operates under the lodge system.

An association is considered to have a "fraternal purpose" where members who share similar interests come together to achieve common charitable goals. The brotherly feeling that grows from working together to achieve these charitable goals creates strong bonds between the members. Operating under the lodge system means having a central organization and several separately organized and self-governing chapters or lodges that adhere to the philosophy and purpose of the central organization.

In addition, an organization exempt under section 501(c)(10) must devote its net earnings to religious, charitable, scientific, literary, educational, and fraternal purposes. This means that a lodge could spend all of its earnings on recreational activities for its members, or divide its funds between several different programs. None of the funds may be used to provide private benefits to the members, however. Such private benefits may include insurance programs as well as retirement homes, orphanages and even, as in your first example, schools, that are operated only for your members.

Your second example describes a communal type of organization where members will live and work together. You indicate they would run their own church, school, farms, and

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newspapers. Although these activities may, as you suggest, improve the plight of your membership, they are not considered either charitable or fraternal in nature. An organization conducting these types of activities will not be described in section 501(c)(10) whether or not it is part of a lodge system.

You have also requested information concerning religious and apostolic organizations that are exempt under section 501(d) of the Code. These are organized for the purpose of operating a communal religious community where the members live a communal life following the tenets and teachings of the establishing religion. There is no counterpart for organizations promoting a particular culture, such as the Italians in your example.

To assist you in understanding these sections, we are enclosing a copy of Chapter 27 of the Internal Revenue Manual on Religious and Apostolic Associations. We have also enclosed a copy of Chapter 8 of the Manual dealing with fraternal beneficiary societies. There are no other publications currently available on these topics.

This letter is advisory only and has no binding effect on the Internal Revenue Service. The information provided here cannot be relied upon as a ruling on the matters discussed. If you have any questions regarding this discussion or we can be of further assistance, please feel free to call me at xxxxxxxxxxxx or xxxxxxxxxxxxxxxx at xxxxxxxxxxxx.

Sincerely,

David Daume
Manager, Exempt Organizations
Technical Group x

Enclosure: IRM 7.8.2, Chapters 8 and 27