

**DEPARTMENT OF THE TREASURY**

Internal Revenue Service  
TE/GE EO Examinations  
1100 Commerce Street  
Dallas, TX 75242

**TAX EXEMPT AND  
GOVERNMENT ENTITIES  
DIVISION**

Date: DEC 02 2016

Release Number: 201720011  
Release Date: 5/19/2017  
UIL Code: 501.08-00

**Taxpayer Identification Number:**

**Tax Period:**  
December 31, 20XX  
**Person to Contact:**

**Employee Identification Number:**

**Employee Telephone Number:**  
Phone:  
Fax:

Dear \_\_\_\_\_ :

This is a final determination that you do not qualify for exemption from Federal income tax under Internal Revenue Code (the "Code") section 501(a) as an organization described in Code section 501(c)(8) for the tax period(s) above. Your determination letter dated in October 19XX is revoked.

Our adverse determination as to your exempt status was made for the following reason(s):

Organizations described in I.R.C. § 501(c)(8) and exempt under section 501(a) must be operated under the lodge system, or for the exclusive benefit of the members so operating, and have established system for the payment to its members or the dependents of life, sick, accident or other benefits. You have failed to produce documents or otherwise establish that you are operated for these exempt purposes. Further, you failed to respond to repeated reasonable requests to allow the Internal Revenue Service to examine your records regarding your receipts, expenditures, or activities as required by I.R.C. § 6001, 6033(a)(1) and the regulations thereunder.

Organizations that are not exempt under section 501 generally are required to file federal income tax returns and pay tax, where applicable. For further instructions, forms, and information please visit [www.irs.gov](http://www.irs.gov).

If you decide to contest this determination, you may file an action for declaratory judgment under the provisions of section 7428 of the Code in one of the following three venues: 1) United States Tax Court, 2) the United States Court of Federal Claims, or 3) the United States District Court for the District of Columbia. A petition or complaint in one of these three courts must be filed within 90 days from the date this determination letter was mailed to you. Please contact the clerk of the appropriate court for rules and the appropriate forms for filing petitions for declaratory judgment by referring to the enclosed Publication 892. You may write to the courts at the following addresses:

United States Tax Court  
400 Second Street, N.W.  
Washington, D.C. 20217

U.S. Court of Federal Claims  
717 Madison Place, N.W.  
Washington, D.C. 20439

U.S. District Court for the District of Columbia  
333 Constitution Ave., N.W.  
Washington, D.C. 20001

Processing of income tax returns and assessments of any taxes due will not be delayed if you file a petition for declaratory judgment under section 7428 of the Internal Revenue Code.

The Taxpayer Advocate Service (TAS) is an independent organization within the IRS that can help protect you taxpayer rights. We can offer you help if your tax problem is causing a hardship, or you've tried but haven't been able to resolve your problem with the IRS. If you qualify for our assistance, which is always free, we will do everything possible to help you. Visit [taxpayeradvocate.irs.gov](http://taxpayeradvocate.irs.gov) or call 1-877-777-4778.

If you have any questions, please contact the person whose name and telephone number are shown in the heading of this letter.

Sincerely yours,

Mary A. Epps  
Acting Director, EO Examinations

Enclosure: Publication 892

IRS

Department of the Treasury  
Internal Revenue Service  
Tax Exempt and Government Entities Division  
324 25th St Rm 6025 Mail Stop 1112  
Ogden, UT 84401

Date:  
March 25, 2016  
Taxpayer Identification Number:

Form:  
990-N  
Tax year(s) ended:  
December 31, 20XX  
Person to contact/ ID number:

Contact numbers:  
Phone Number:

Manager's name/ ID number:  
Manager's contact number:

Response due date:  
April 25, 20XX

**Certified Mail - Return Receipt Requested**

Dear :

**Why you are receiving this letter**

We propose to revoke your status as an organization described in section 501(c)(8) of the Internal Revenue Code (Code). Enclosed is our report of examination explaining the proposed action.

**What you need to do if you agree**

If you agree with our proposal, please sign the enclosed Form 6018, *Consent to Proposed Action - Section 7428*, and return it to the contact person at the address listed above (unless you have already provided us a signed Form 6018). We'll issue a final revocation letter determining that you aren't an organization described in section 501(c)(8).

After we issue the final revocation letter, we'll announce that your organization is no longer eligible for contributions deductible under section 170 of the Code.

**If we don't hear from you**

If you don't respond to this proposal within 30 calendar days from the date of this letter, we'll issue a final revocation letter. Failing to respond to this proposal will adversely impact your legal standing to seek a declaratory judgment because you failed to exhaust your administrative remedies.

**Effect of revocation status**

If you receive a final revocation letter, you'll be required to file federal income tax returns for the tax year(s) shown above as well as for subsequent tax years.

**What you need to do if you disagree with the proposed revocation**

If you disagree with our proposed revocation, you may request a meeting or telephone conference with the supervisor of the IRS contact identified in the heading of this letter. You may also file a protest with the IRS Appeals office by submitting a written request to the contact person at the address listed above within 30 calendar days from the date of this letter. The Appeals office is independent of the Exempt Organizations division and resolves most disputes informally.

For your protest to be valid, it must contain certain specific information including a statement of the facts, the applicable law, and arguments in support of your position. For specific information needed for a valid protest, please refer to page one of the enclosed Publication 892, *How to Appeal an IRS Decision on Tax-Exempt Status*, and page six of the enclosed Publication 3498, *The Examination Process*. Publication 3498 also includes information on your rights as a taxpayer and the IRS collection process. Please note that Fast Track Mediation referred to in Publication 3498 generally doesn't apply after we issue this letter.

You also may request that we refer this matter for technical advice as explained in Publication 892. Please contact the individual identified on the first page of this letter if you are considering requesting technical advice. If we issue a determination letter to you based on a technical advice memorandum issued by the Exempt Organizations Rulings and Agreements office, no further IRS administrative appeal will be available to you.

**Contacting the Taxpayer Advocate Office is a taxpayer right**

You have the right to contact the office of the Taxpayer Advocate. Their assistance isn't a substitute for established IRS procedures, such as the formal appeals process. The Taxpayer Advocate can't reverse a legally correct tax determination or extend the time you have (fixed by law) to file a petition in a United States court. They can, however, see that a tax matter that hasn't been resolved through normal channels gets prompt and proper handling. You may call toll free 1-877-777-4778 and ask for Taxpayer Advocate assistance. If you prefer, you may contact your local Taxpayer Advocate at:

Internal Revenue Service  
Office of the Taxpayer Advocate

**For additional information**

If you have any questions, please call the contact person at the telephone number shown in the heading of this letter. If you write, please provide a telephone number and the most convenient time to call if we need to contact you.

Thank you for your cooperation.

Sincerely,

Paul A. Marmolejo  
Acting Director, Exempt Organizations Examinations

Enclosures:  
Report Of Examination  
Form 6018  
Publication 892  
Publication 3498

Form 886-A (Rev. January 1994)	EXPLANATIONS OF ITEMS	Schedule number or exhibit <b>1</b>
Name of taxpayer	Tax Identification Number	Year/Period ended December 31, 20XX

Issue:

Should a 501(c)(8) exempt organization be revoked due to failure to respond and failure to produce records?

Facts:

The organization has not provided the requested information for the examination of the Form 990 for the tax year ending December 31, 20XX. The organization received their approval for tax exemption in December 19XX.

Exhibit A (below) provides a list of the Internal Revenue Service correspondence or phone contact made to the organization requesting that it provide information pertaining to your Form 990 for the years ending December 31, 20XX, December 31, 20XX, and December 31, 20XX.

Summary of Exhibit A

Contact type	Correspondence sent / Phone contact	Date sent or called	Certified Mail? Y/N	Receipt Signed date or phone response
Letter	Sent Letter 4894 (compliance check) for tax year 20XX to	5-9-XX	N	No Response
Phone call	Compliance check tried to call  not good numbers. Could not find a good number	6-14-XX		Left messages to return call. " " returned one of these calls. He had the phone number for a long time and was not associated with the organization,
Letter	Letter 3854 (follow up) to	6-14-XX	Y	Signed PS3811 (6-23-XX) signed by  No other response

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Letter	Letter EOCA 8300 (start examination) to	4-3-XX	N	No response
Letter	Letter 3854 No Response	7-30-XX	Y	Signed PS3811 (8-10-XX) signed by . No other response
Phone call		12-14-XX		Left message and told him of coming letter
Letter	Follow up letter to	12-14-XX	Y	Signed PS3811 (12-29- XX) signed by . No other response
Phone Call				Left message to return call and told him of coming letter
Phone Call		1-4-XX		Left message to return call.
Phone Call		1-6-XX		Received message from . Called back and left message asked for clarification of what we wanted.
Phone Call		2-8-XX		Left message telling if no response in a week will start revocation
Phone Call		2-17-XX		Left message, no response, will revoke the exemption of the organization for no response.

has failed to respond to the Internal Revenue Service correspondence for information pertaining to the Form 990 for the tax periods ending December 31, 20XX, December 31, 20XX, and December 31, 20XX.

EXPLANATIONS OF ITEMS

Name of taxpayer

Tax Identification Number

Year/Period ended  
December 31,  
20XX

Law:

**501(c)(8)**

§501(c)(8) are organized fraternal beneficiary societies, orders, or associations --

501(c)(8)(A) operating under the lodge system or for the exclusive benefit of the members of a fraternity itself operating under the lodge system, and

501(c)(8)(B) providing for the payment of life, sick, accident, or other benefits to the members of such society, order, or association or their dependents.

§Reg 1.501(c)(8)-1 In order to be exempt under §501(c)(8) A fraternal beneficiary society is exempt from tax only if operated under the lodge system or for the exclusive benefit of the members so operating. Operating under the lodge system means carrying on its activities under a form of organization that comprises local branches, chartered by a parent organization and largely self-governing, called lodges, chapters, or the like. In order to be exempt it is also necessary that the society have an established system for the payment to its members or their dependents of life, sick, accident, or other benefits.

IRC § 6001 provides that every person liable for any tax imposed by the IRC, or for the collection thereof, shall keep adequate records as the Secretary of the Treasury or his delegate may from time to time prescribe.

**Treas. Reg. § 1.6001-1(a)** in conjunction with **Treas. Reg. § 1.6001-1(c)** provides that every organization exempt from tax under IRC § 501(a) and subject to the tax imposed by IRC § 511 on its unrelated business income must keep such permanent books or accounts or records, including inventories, as are sufficient to establish the amount of gross income, deduction, credits, or other matters required to be shown by such person in any return of such tax. Such organization shall also keep such books and records as are required to substantiate the information required by IRC § 6033.

**Treas. Reg. § 1.6001-1(e)** states that the books or records required by this section shall be kept at all times available for inspection by authorized internal revenue officers or employees, and shall be retained as long as the contents thereof may be material in the administration of any internal revenue law.

**IRC § 6033(a)(1)** provides, except as provided in **IRC § 6033(a)(2)**, every organization exempt from tax under section 501 (a) shall file an annual return, stating specifically the items of gross income, receipts and disbursements, and such other information for the purposes of carrying out the internal revenue laws as the Secretary may by forms or regulations prescribe, and keep such records, render under oath such statements, make such other returns, and comply with such rules and regulations as the Secretary may from time to time prescribe.



Name of taxpayer

Tax Identification Number

Year/Period ended  
December 31,  
20XX

**Treas. Reg § 1.6033-1(h)(2)** provides that every organization which has established its right to exemption from tax, whether or not it is required to file an annual return of information, shall submit such additional information as may be required by the district director for the purpose of enabling him to inquire further into its exempt status and to administer the provisions of subchapter F (section 501 and the following), chapter 1 of the Code and IRC § 6033.

**Rev. Rul. 59-95, 1959-1 C.B. 627**, concerns an exempt organization that was requested to produce a financial statement and statement of its operations for a certain year. However, its records were so incomplete that the organization was unable to furnish such statements. The Service held that the failure or inability to file the required information return or otherwise to comply with the provisions of IRC §6033 and the regulations which implement it, may result in the termination of the exempt status of an organization previously held exempt, on the grounds that the organization has not established that it is observing the conditions required for the continuation of exempt status.

**Organization's Position:**

Several attempts to contact the organization have been made by either letters or phone calls. The organization has not responded to any attempts by either mail or phone

**Government's Position:**

In accordance with the above cited provisions of the Code and regulations under IRC §§ 6001 and 6033, organizations recognized as exempt from federal income tax must meet certain reporting requirements. These requirements relate to the filing of a complete and accurate annual information return (and other required federal tax forms) and the retention of records sufficient to determine whether such entity is operated for the purposes for which it was granted tax-exempt status and to determine its liability for any unrelated business income tax.

Several attempts have been made to contact the organization starting in May of 20XX. The organization has never responded to any phone call or Information Request Document. Three of the letters were sent by certified mail and the certification was signed and returned. Several phone calls and voice messages have not resulted in any information being provided. Using the rationale that was developed in Revenue Ruling 59-95, the Organization's failure to provide requested information should result in the termination of exempt status.

Form 886-A (Rev. January 1994)	EXPLANATIONS OF ITEMS	Schedule number or exhibit <b>1</b>
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**Conclusion:**

It is the IRS's position that the organization failed to meet the reporting requirements under IRC §§ 6001 and 6033 to be recognized as exempt from federal income tax under IRC § 501(c)(8). Furthermore, the organization has failed to establish that it continues to qualify for tax exempt status. Accordingly, the organization's exempt status is revoked effective January 1, 20XX.

Form(s) 1120, U.S. Corporation Income Tax Return should be filed for the tax periods ending on or after December 31, 20XX.