



**Department of the Treasury  
Internal Revenue Service**

P.O. Box 2508  
Cincinnati, OH 45201

Number: **202015024**  
Release Date: 4/10/2020

Date:  
January 16, 2020  
Employer ID number:

Contact person/ID number:

Contact telephone number:

Form you must file:

Tax years:

**UIL Number: 501.04-00, 501.33-00**

Dear :

This letter is our final determination that you don't qualify for tax-exempt status under Internal Revenue Code (IRC) Section 501(c)(4). Recently, we sent you a proposed adverse determination in response to your application. The proposed adverse determination explained the facts, law, and basis for our conclusion, and it gave you 30 days to file a protest. Because we didn't receive a protest within the required 30 days, the proposed determination is now final.

You must file federal income tax returns for the tax years listed at the top of this letter using the required form (also listed at the top of this letter) within 30 days of this letter unless you request an extension of time to file.

We'll make this final adverse determination letter and the proposed adverse determination letter available for public inspection (as required under IRC Section 6110) after deleting certain identifying information. Please read the enclosed Notice 437, *Notice of Intention to Disclose*, and review the two attached letters that show our proposed deletions. If you disagree with our proposed deletions, follow the instructions in the Notice 437 on how to notify us. If you agree with our deletions, you don't need to take any further action.

If you have questions about this letter, you can contact the person listed at the top of this letter. If you have questions about your federal income tax status and responsibilities, call our customer service number at 1-800-829-1040 (TTY 1-800-829-4933 for deaf or hard of hearing) or customer service for businesses at 1-800-829-4933.

Sincerely,

Stephen A. Martin  
Director, Exempt Organizations  
Rulings and Agreements

Enclosures:

Notice 437

Redacted Letter 4034, *Proposed Adverse Determination under IRC Section 501(a) Other Than 501(c)(3)*

Redacted Letter 4040, *Final Adverse Determination under IRC Section 501(a) Other Than 501(c)(3) - No Protest*



Department of the Treasury  
Internal Revenue Service  
P.O. Box 2508  
Cincinnati, OH 45201

Date:  
November 4, 2019  
Employer ID number:

Contact person/ID number:

Contact telephone number:

Contact fax number:

**Legend:**

B = Date

C = State

x dollars = Amount

y dollars = Amount

z dollars = Amount

**UIL:**

501.04-00

501.33-00

Dear

We considered your application for recognition of exemption from federal income tax under Internal Revenue Code (IRC) Section 501(a). We determined that you don't qualify for exemption under IRC Section 501(c)(4). This letter explains the reasons for our conclusion. Please keep it for your records.

**Issues**

Do you qualify for exemption under IRC Section 501(c)(4)? No, for the reasons stated below.

**Facts**

You were incorporated on B in the State of C. Your Articles of Incorporation state you were formed "to better the community by assisting in financial and counseling services for those members who lose their loved ones, thereby reducing the instances of the community bearing the burden of the same services."

Your activities consist of collecting funds from members and paying out death benefits to the designated beneficiaries of deceased members. When a member dies, you require your other members to contribute x dollars each. The designated beneficiary then receives the contributed funds, with the maximum benefit limited to y dollars.

Your members also give free seminars to one another on various subjects like Social Security benefits, Medicare, and health topics.

Most of your activities are conducted via e-mail, conferences calls, and letters. Twice a year, you rent a room to conduct a member meeting and administrative matters.

Your revenues are from the following sources:

- a. The membership registration fee of z dollars per person, the purpose of which is to enable you to prepay beneficiaries immediately when death occurs.
- b. The annual membership fee of x dollars.
- c. The x dollars per member collected upon the death of another member.

Your expenses include death benefits paid, room rental expenses, postage, supplies, and printing costs.

### **Law**

IRC Section 501(c)(4) 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.

Treasury Regulation Section 1.501(c)(4)-1(a)(2)(i) 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 community. An organization embraced within this section is one that is operated primarily for the purpose of bringing about civic betterments and social improvements.

Revenue Ruling 63-190, 1963-2 C.B. 212, describes an organization whose purposes, as stated in its constitution, are to spread friendship and fraternity in the club; to aid the membership in the event of illness, personal injury, or accident; to pay benefits to sick members; in the event of death, to pay a death benefit to whomever the member shall have designated; and to develop patriotism among the membership. The ruling held a nonprofit organization which maintains a social club for members and also provides sick and death benefits for members and their beneficiaries did not qualify for exemption under IRC Section 501(c)(4).

Rev. Rul. 75-199, 1975-1 C.B. 160, describes 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. The organization's income is derived principally from membership dues. Since the benefit from the organization was for its members and there was only minor and incidental benefit to the community as a whole, the organization did not qualify for exemption under IRC Section 501(c)(4).

Rev. Rul. 81-58, 1981-1 C.B. 331, held that a nonprofit police officer association whose primary activity is to provide a lump-sum payment to each member upon retirement or a lump sum payment to beneficiaries upon the member's death did not qualify for exemption under IRC Section 501(c)(4).

In Police Benevolent Association of Richmond v. U.S., 661 F. Supp.765, (E.D.Va. 1987), the court held that the organization did not qualify under IRC Section 501(c)(4) because a substantial purpose of the association and its activities were intended to serve the pecuniary interests of its members.

### **Application of law**

To qualify for exemption under IRC Section 501(c)(4), an organization must primarily engage in activities that benefit the community as a whole, rather than select individuals or groups. Your death benefits program serves only the private interests of your own members.

An activity that confers non-incidental benefit on select individuals or groups does not promote the common good and general welfare of the people of the community within the meaning of Treas. Reg. Section

1.501(c)(4)-1(a)(2)(i). Your activity of funding and paying out death benefits for your members confers non-incident benefit to your members.

You are like the organizations described in Revenue Rulings 63-190, 75-199, and 81-58, because you provide death benefits for members.

Like the organization in Police Benevolent Association of Richmond, your purpose is to serve the private interests of your members.

### **Conclusion**

You do not qualify for exemption under IRC Section 501(c)(4) because you do not benefit the community as a whole. Rather, your activities serve only the interests of your members and their beneficiaries.

### **If you agree**

If you agree with our proposed adverse determination, you don't need to do anything. If we don't hear from you within 30 days, we'll issue a final adverse determination letter. That letter will provide information on your income tax filing requirements.

### **If you don't agree**

You have a right to protest if you don't agree with our proposed adverse determination. To do so, send us a protest within 30 days of the date of this letter. You must include:

- Your name, address, employer identification number (EIN), and a daytime phone number
- A statement of the facts, law, and arguments supporting your position
- A statement indicating whether you are requesting an Appeals Office conference
- The signature of an officer, director, trustee, or other official who is authorized to sign for the organization or your authorized representative
- The following declaration:

**For an officer, director, trustee, or other official who is authorized to sign for the organization:**

Under penalties of perjury, I declare that I have examined this request, or this modification to the request, including accompanying documents, and to the best of my knowledge and belief, the request or the modification contains all relevant facts relating to the request, and such facts are true, correct, and complete.

Your representative (attorney, certified public accountant, or other individual enrolled to practice before the IRS) must file a Form 2848, Power of Attorney and Declaration of Representative, with us if they haven't already done so. You can find more information about representation in Publication 947, Practice Before the IRS and Power of Attorney.

We'll review your protest statement and decide if you gave us a basis to reconsider our determination. If so, we'll continue to process your case considering the information you provided. If you haven't given us a basis

for reconsideration, we'll send your case to the Appeals Office and notify you. You can find more information in Publication 892, How to Appeal an IRS Decision on Tax-Exempt Status.

If you don't file a protest within 30 days, you can't seek a declaratory judgment in court later because the law requires that you use the IRC administrative process first (IRC Section 7428(b)(2)).

**Where to send your protest**

Send your protest, Form 2848, if applicable, and any supporting documents to the applicable address:

U.S. mail:

Internal Revenue Service  
EO Determinations Quality Assurance  
Mail Stop 6403  
P.O. Box 2508  
Cincinnati, OH 45201

Street address for delivery service:

Internal Revenue Service  
EO Determinations Quality Assurance  
550 Main Street, Mail Stop 6403  
Cincinnati, OH 45202

You can also fax your protest and supporting documents to the fax number listed at the top of this letter. If you fax your statement, please contact the person listed at the top of this letter to confirm that they received it.

You can get the forms and publications mentioned in this letter by visiting our website at [www.irs.gov/forms-pubs](http://www.irs.gov/forms-pubs) or by calling 800-TAX-FORM (800-829-3676). If you have questions, you can contact the person listed at the top of this letter.

**Contacting the Taxpayer Advocate Service**

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

Sincerely,

Stephen A. Martin  
Director, Exempt Organizations  
Rulings and Agreements