



DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
1100 Commerce Street, MC 4920DAL
Dallas, TX 75242

TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

Release Number: 202221010
Release Date: 5/27/2022
UIL: Code: 501.19-00

Date:
January 6, 2021
Taxpayer ID Number:

Form:

Tax Period(s) Ending

Person to contact:

Identification Number:

Telephone Number:

CERTIFIED MAIL - Return Receipt Requested
LAST DAY FOR FILING A PETITION WITH THE TAX COURT:

Dear

This is a final determination that you do not qualify for exemption from federal income tax under Internal Revenue Code (IRC) Section 501(a) as an organization described in IRC Section 501(c)(19) for the tax period(s) above.

Our adverse determination as to your exempt status was made for the following reasons:

You have not established that you are operated as a veteran's post or an organization described in IRC Section 501(c)(19), and that no part of your net earnings inures to the benefit of any private shareholder or individual. You have exceeded the membership requirement of 75-percent of current/former military service members (war veterans).

Contributions to your organization are no longer deductible under IRC Section 170.

Organizations that are not exempt under IRC 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.

If you decide to contest this determination, you may file an action for declaratory judgment under the provisions of IRC Section 7428 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 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, NW
Washington, DC 20217

US Court of Federal Claims
717 Madison Place, NW
Washington, DC 20005

U. S. District Court for the District of Columbia
333 Constitution Ave., N.W.
Washington, DC 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 IRC Section 7428.

You may be eligible for help from the Taxpayer Advocate Service (TAS). 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 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 or call 1-877-777-4778.

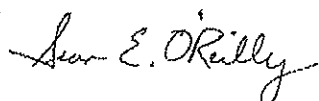
Taxpayer Advocate assistance can't be used as substitute for established IRS procedures, formal appeals processes, etc. The Taxpayer Advocate is not able to reverse legal or technically correct tax determination, nor extend the time fixed by law that you have to file a petition in Court. The Taxpayer Advocate can, however, see that a tax matter that may not have been resolved through normal channels gets prompt and proper handling.

You can get any of the forms or publications mentioned in this letter by calling 800-TAX-FORM (800-829-3676) or visiting our website at www.irs.gov/forms-pubs.

If you have any questions, you can contact the person listed at the top of this letter.

Enclosures:
Publication 892

Sincerely,



Sean E. O'Reilly
Director, Exempt Organizations Examinations



The Department of the Treasury
Internal Revenue Service
Tax Exempt and Government Entities
Exempt Organizations Examinations

Date: August 14, 2020

Taxpayer Identification Number:

Form:

Tax Year(s) Ended:

Person to Contact:

Employee ID:

Telephone:

Fax:

Manager's Contact Information:

Response Due Date:

CERTIFIED MAIL – Return Receipt Requested

Dear _____ :

Why you're receiving this letter

We enclosed a copy of our audit report, Form 886-A, Explanation of Items, explaining that we propose to revoke your tax-exempt status as an organization described in Internal Revenue Code (IRC) Section 501(c)(19).

If you agree

If you haven't already, please sign the enclosed Form 6018, Consent to Proposed Action, and return it to the contact person shown at the top of this letter. We'll issue a final adverse letter determining that you aren't an organization described in IRC Section 501(c)(19) for the periods above.

After we issue the final adverse determination letter, we'll announce that your organization is no longer eligible to receive tax deductible contributions under IRC Section 170

If you disagree

1. Request a meeting or telephone conference with the manager shown at the top of this letter.
2. Send any information you want us to consider.
3. File a protest with the IRS Appeals Office. If you request a meeting with the manager or send additional information as stated in 1 and 2, above, you'll still be able to file a protest with IRS Appeals Office after the meeting or after we consider the information.

The IRS Appeals Office is independent of the Exempt Organizations division and resolves most disputes informally. If you file a protest, the auditing agent may ask you to sign a consent to extend the period of limitations for assessing tax. This is to allow the

IRS Appeals Office enough time to consider your case. For your protest to be valid, it must contain certain specific information, including a statement of the facts, applicable law, and arguments in support of your position. For specific information needed for a valid protest, refer to Publication 892, How to Appeal an IRS Determination on Tax-Exempt Status.

Fast Track Mediation (FTM) referred to in Publication 3498, The Examination Process, generally doesn't apply now that we've issued this letter.

4. Request technical advice from the Office of Associate Chief Counsel (Tax Exempt Government Entities) if you feel the issue hasn't been addressed in published precedent or has been treated inconsistently by the IRS.

If you're considering requesting technical advice, contact the person shown at the top of this letter. If you disagree with the technical advice decision, you will be able to appeal to the IRS Appeals Office, as explained above. A decision made in a technical advice memorandum, however, generally is final and binding on Appeals.

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 adverse determination letter.

Contacting the Taxpayer Advocate Office is a taxpayer right

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 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 or call 877-777-4778.

For additional information

You can get any of the forms and publications mentioned in this letter by visiting our website at www.irs.gov/forms-pubs or by calling 800-TAX-FORM (800-829-3676).

If you have questions, you can contact the person shown at the top of this letter.

Sincerely,

Russell T. Renwicks

Digitally signed by Russell T.

Renwicks

Date: 2020.08.13 15:05:13 -04'00'

For

Sean E. O'Reilly

Director, Exempt Organizations Examinations

Enclosures:

Form 886-A

Form 6018

Publication 892

Publication 3498

Form 886-A (May 2017)	Department of the Treasury – Internal Revenue Service Explanations of Items	Schedule number or exhibit
Name of taxpayer	Tax Identification Number	Year/Period ended

ISSUE:

Does the _____ continue to qualify for tax exempt status under Internal Revenue Code (IRC) Section 501(c)(19), if they do not meet the required membership requirements?

FACTS:

The _____ applied to be a _____ on July 18, 19 ____.

The _____ was incorporated on May 5, 19 ____; amended in 19 ____.

The _____ has not filed Form 1024 in order to receive a Determination Letter. Prior to making contact with the organization, the examining agent attempted to secure the administrative record from Exempt Organization Determinations. The examining agent was informed that no record exists. However, internal IRS records indicate that the organization is exempt under section 501(c)(19). On their Form 990 for the tax years ended December 31, 20 __, 20 __, and 20 __, the organization filed as an organization described in section 501(c)(19).

The _____ was covered under the Group Ruling issued to the _____.

According to Internal Revenue Service records, the _____ has filed Form 990 from the periods of January 1, 20 __ through December 31, 20 __.

The _____ has filed Form 940 to report the annual Federal Unemployment Taxes due, for the periods of January 1, 20 __ through December 31, 20 __.

The _____ has filed Form 941 to report the Quarterly Wage Taxes withheld from the employees, for the periods of January 1, 20 __ through December 30, 20 __.

The primary purpose of the _____ is to provide benefits to veterans and assist the youth of community.

- The organization helps veterans with training and information on how to obtain Veteran's Administration benefits
- The organization donates proceeds from their gaming income to local sports organizations

The _____ has the following membership categories:

- **ACTIVE** – properly limited to current and honorably discharged members of the Armed Services
- **AUXILIARY** – All adult members of the _____, who are in good standing, shall be eligible for _____
- **ASSOCIATE** – All adult persons of good repute and character, not eligible for ACTIVE membership, shall be eligible for ASSOCIATE membership

According to the organization's membership records, for the year ended _____ there were a total of _____ members. There were _____ members meeting the military service requirements and _____ members meeting the familial / relationship requirements, and _____ social members who have had no affiliated military service.

The _____ activities include the operation of a social club for the enjoyment and pleasure of their members and guests. The social club operated by the organization has a bar, kitchen, and dining room. They also have small games of chance. The members of the organization have to pay for all drinks, food, and small games that are enjoyed by their guests.

Form 886-A (May 2017)	Department of the Treasury – Internal Revenue Service Explanations of Items	Schedule number or exhibit
Name of taxpayer	Tax Identification Number	Year/Period ended

FACTS (continued):

The _____ operates a bar that does not limit their membership to past and present members of the military, their spouses and lineal descendants, and a limited number of members with no affiliation to the United States Armed Services. Approximately _____-percent of the organization's _____ members have no affiliation to the United States Armed Services.

The State of _____, Department of Health, has inspected the _____ facilities and has issued them a Certificate allowing them to operate a bar.

The State of _____ has issued a gaming license to the _____ authorizing them to conduct "Pull Tab" gaming activities. The _____ State Police conducts routine checks on the organization's records to ensure compliance with the gaming laws of the state.

The _____ has paid bartenders; the bartenders run the day to day operations of the organization. The bartenders serve drinks to the customers and they are in charge of the gaming activities that the _____ is authorized to conduct with their members.

The _____ makes several donations to local charities each year.

The _____ does not participate in any political or legislative activities, nor do they have any expenditures for any such activities.

There was no evidence of any non-member income discovered during the examination of the organization's books and records. During the interview, the organization stated that non-member guests were only permitted in the facility with a member in good standing; bartenders are instructed to only take payments from members.

The Service examined the _____ books and records, including, but not limited to the following items: Membership list / records; _____ State gaming reports; Governing Documents; Board of Director's Meeting Minutes; QuickBooks reports and financial statements; invoices; bank statements; and payroll reports.

LAW:

Internal Revenue Code Section 501(c)(19) - Exemption from tax on corporations, certain trusts, etc.

(a) Exemption from taxation

An organization described in subsection (c) or (d) or section 401(a) shall be exempt from taxation under this subtitle unless such exemption is denied under section 502 or 503.

(b) Tax on unrelated business income and certain other activities

An organization exempt from taxation under subsection (a) shall be subject to tax to the extent provided in parts II, III, and VI of this subchapter, but (notwithstanding parts II, III, and VI of this subchapter) shall be considered an organization exempt from income taxes for the purpose of any law which refers to organizations exempt from income taxes.

(c) List of exempt organizations

(19) A post or organization of past or present members of the Armed Forces of the United States, or an auxiliary unit or society of, or a trust or foundation for, any such post or organization—

(A) organized in the United States or any of its possessions,

(B) at least 75 percent of the members of which are past or present members of the Armed Forces of the United States and substantially all of the other members of which are individuals who are cadets or are spouses, widows, widowers, ancestors, or lineal descendants of past or present members of the Armed Forces of the United States or of cadets, and

(C) no part of the net earnings of which inures to the benefit of any private shareholder or individual.

Form 886-A (May 2017)	Department of the Treasury – Internal Revenue Service Explanations of Items	Schedule number or exhibit
Name of taxpayer	Tax Identification Number	Year/Period ended

LAW (Continued):

Treasury Regulation Section 1.501(c)(19)-1 - War Veterans organizations

(a) In general.

- (1) For taxable years beginning after December 31, 1969, a veterans post or organization which is organized in the United States or any of its possessions may be exempt as an organization described in section 501(c)(19) if the requirements of paragraphs (b) and (c) of this section are met and if no part of its net earnings inures to the benefit of any private shareholder or individual. Paragraph (b) of this section contains the membership requirements such a post or organization must meet in order to qualify under section 501(c)(19). Paragraph (c) of this section outlines the purposes, at least one of which such a post or organization must have in order to so qualify.
- (2) In addition, an auxiliary unit or society described in paragraph (d) of this section of such a veterans post or organization and a trust or foundation described in paragraph (e) of this section for such post or organization may be exempt as an organization described in section 501(c)(19).

(b) Membership requirements.

- (1) In order to be described in section 501(c)(19) under paragraph (a)(1) of this section, an organization must meet the membership requirements of section 501(c)(19)(B) and this paragraph. There are two requirements that must be met under this paragraph. The first requirement is that at least 75 percent of the members of the organization must be war veterans. For purposes of this section the term war veterans means persons, whether or not present members of the United States Armed Forces, who have served in the Armed Forces of the United States during a period of war (including the Korean and Vietnam conflicts).
- (2) The second requirement of this paragraph is that at least 97.5 percent of all members of the organization must be described in one or more of the following categories:
 - (i) War veterans,
 - (ii) Present or former members of the United States Armed Forces,
 - (iii) Cadets (including only students in college or university ROTC programs or at Armed Services academies), or
 - (iv) Spouses, widows, or widowers of individuals referred to in paragraph (b)(2) (i), (ii) or (iii) of this section.

(c) Exempt purposes. In addition to the requirements of paragraphs (a)(1) and (b) of this section, in order to be described in section 501(c)(19) under paragraph (a)(1) of this section an organization must be operated exclusively for one or more of the following purposes:

- (1) To promote the social welfare of the community as defined in § 1.501(c)(4)-1(a)(2).
- (2) To assist disabled and needy war veterans and members of the United States Armed Forces and their dependents, and the widows and orphans of deceased veterans,
- (3) To provide entertainment, care, and assistance to hospitalized veterans or members of the Armed Forces of the United States,
- (4) To carry on programs to perpetuate the memory of deceased veterans and members of the Armed Forces and to comfort their survivors,
- (5) To conduct programs for religious, charitable, scientific, literary, or educational purposes,
- (6) To sponsor or participate in activities of a patriotic nature,
- (7) To provide insurance benefits for their members or dependents of their members or both, or
- (8) To provide social and recreational activities for their members.

Form 886-A (May 2017)	Department of the Treasury – Internal Revenue Service Explanations of Items	Schedule number or exhibit
Name of taxpayer	Tax Identification Number	Year/Period ended

LAW (Continued):

Public Law 92-418, 1972-2 C.B. 675

To amend the Internal Revenue Code of 1954 with regard to the exempt status of veterans' organizations, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, that (a) section 501(c) of the Internal Revenue Code of 1954 (relating to list of exempt organizations) is amended by adding at the end thereof the following new paragraph:

- (19) A post or organization of war veterans, or an auxiliary unit or society of, or a trust or foundation for, any such post or organization—
- (A) organized in the United States or any of its possessions,
 - (B) at least 75 percent of the members of which are war veterans and substantially all of the other members of which are individuals who are veterans (but not war veterans), or are cadets, or are spouses, widows, or widowers of war veterans or such individuals, and
 - (C) no part of the net earnings of which inures to the benefit of any private shareholder or individual.

(b) Section 512(a) of such Code (relating to definition of unrelated business taxable income) is amended by adding at the end thereof the following new paragraph:

(4) SPECIAL RULE APPLICABLE TO ORGANIZATIONS DESCRIBED IN SECTION 501(c)(19).—In the case of an organization described in section 501(c) (19), the term 'unrelated business taxable income' does not include any amount attributable to payments for life, sick, accident, or health insurance with respect to members of such organizations or their dependents which is set aside for the purpose of providing for the payment of insurance benefits or for a purpose specified in section 170(c) (4). If an amount set aside under the preceding sentence is used during the taxable year for a purpose other than a purpose described in the preceding sentence, such amount shall be included, under paragraph (1), in unrelated business taxable income for the taxable year."

(c) The amendments made by this section shall apply to taxable years beginning after December 31, 1969.

SEC. 2.

(a) Section 165(h) of the Internal Revenue Code of 1954 (relating to disaster losses) is amended by—

- (1) striking out the first sentence and inserting in lieu thereof the following: "Notwithstanding the provisions of subsection (a), any loss attributable to a disaster occurring in an area subsequently determined by the President of the United States to warrant assistance by the Federal Government under the Disaster Relief Act of 1970 may, at the election of the taxpayer, be deducted for the taxable year immediately preceding the taxable year in which the disaster occurred." and
- (2) inserting before the period in the second sentence a comma and the following: "based on facts existing at the date the taxpayer claims the loss,"

(b) Section 6405 of such Code (relating to reports of refunds and credits to the Joint Committee on Internal Revenue Taxation) is amended by adding at the end thereof the following new subsection:

(d) REFUNDS ATTRIBUTABLE TO CERTAIN DISASTER LOSSES.—If any refund or credit of income taxes is attributable to the taxpayer's election under section 165 (h) to deduct a disaster loss for the taxable year immediately preceding the taxable year in which the disaster occurred, the Secretary or his delegate is authorized in his discretion to make the refund or credit, to the extent attributable to such election, without regard to the provisions of subsection (a) of this section. If such refund or credit is made without regard to subsection (a), there shall thereafter be submitted to such Joint Committee a report containing the matter specified in subsection (a) as soon as the Secretary or his delegate shall determine the correct amount of the tax for the taxable year for which the refund or credit is made."

(c) The amendment made by subsection (a) shall apply to disasters occurring after December 31, 1971, in taxable years ending after such date. The amendment made by subsection (b) shall apply with respect to refunds or credits made after July 1, 1972.

Form 886-A (May 2017)	Department of the Treasury – Internal Revenue Service Explanations of Items	Schedule number or exhibit
Name of taxpayer	Tax Identification Number	Year/Period ended

LAW (Continued):

Rev. Proc. 80-27, 1980-1 C.B. 677

SEC. 1. PURPOSE

The purpose of this revenue procedure is to supersede Rev. Proc. 77-38, 1972-2 C.B. 571, by setting forth updated procedures under which recognition of exemption from federal income tax under section 501(c) of the Internal Revenue Code may be obtained on a group basis for subordinate organizations affiliated with and under the general supervision or control of a central organization. This procedure relieves each of the subordinates covered by a group exemption letter from filing its own application for recognition of exemption. This revenue procedure changes the time for filing the annual submission of information required to maintain a group exemption letter to 90 days before the close of the organization's accounting period. This revenue procedure also clarifies the requirements concerning subordinates' accounting periods and the 15-month rule of section 508 for section 501(c)(3) subordinates and provides the addresses of three new Service Centers for filing purposes.

SEC. 2. ISSUANCE OF GROUP EXEMPTION LETTERS

- .01 Under this revenue procedure and Rev. Proc. 80-25, page 39, this Bulletin, the Internal Revenue Service will consider requests of central organizations for group exemption letters.
- .02 A subordinate included in an exemption letter should not apply separately for recognition of exempt status unless it no longer wants to be included in the group exemption letter.
- .03 A subordinate that is organized and operated in a foreign country may not be included in a group exemption letter.
- .04 A subordinate described in section 501(c)(3) of Code may not be included in a group exemption letter if it is a private foundation defined in section 509(a). Such an organization should apply separately for recognition of exempt status under the procedures outlined in Rev. Proc. 76-34, 1976-2 C.B. 656, as supplemented by Rev. Proc. 80-25.

SEC. 3. DEFINITIONS

- .01 A group exemption letter is a ruling or determination letter issued to a central organization recognizing on a group basis the exemption under section 501(c) of the Code of subordinate organizations on whose behalf the central organization has applied for recognition of exemption in accordance with this revenue procedure.
- .02 A central organization is an organization that has one or more subordinates under its general supervision or control.
- .03 A subordinate is a chapter, local, post, or unit of a central organization. It may or may not be incorporated, but it must have an organizing document. A central organization may be a subordinate itself, such as a state organization which has subordinate units and is itself affiliated with a national organization.

SEC. 4. REQUIREMENTS FOR INCLUSION IN A GROUP EXEMPTION LETTER

- .01 A central organization applying for a group exemption letter must obtain recognition of its own exempt status.
- .02 It must also establish that the subordinates to be included in the group exemption letter are:
 - 1 Affiliated with it;
 - 2 Subject to its general supervision or control;
 - 3 All exempt under the same paragraph of section 501(c) of the Code, though not necessarily the paragraph under which the central organization is exempt;
 - 4 Not private foundations, if the application for a group exemption letter involves section 501(c)(3);
 - 5 All on the same accounting period as the central organization if they are to be included in group returns; and
 - 6 Organizations that have been formed within the 15-month period prior to the date of submission of the group exemption application, if they are claiming section 501(c)(3) status and are subject to the requirements of section 508(a), and wish to be recognized as exempt from their dates of creation. A group exemption letter may be issued covering subordinates, one or more of which have not been organized within the 15-month period prior to the date of submission, if all subordinates are willing to be recognized as exempt only from the date of application.

Form 886-A (May 2017)	Department of the Treasury – Internal Revenue Service Explanations of Items	Schedule number or exhibit
Name of taxpayer	Tax Identification Number	Year/Period ended

LAW (Continued):

Rev. Proc. 80-27, 1980-1 C.B. 677 (continued)

- .03 Each subordinate must authorize the central organization to include it in the application for the group exemption letter. The authorization must be signed by a duly authorized officer of the subordinate and retained by the central organization while the group exemption letter is in effect. In the case of a new organization described in section 501(c)(3) of the Code that wants to be included in a group exemption, it must submit its authorization before the end of the fifteenth month after it was formed in order to satisfy the requirement of section 508(a). The central organization must also include this subordinate in its next annual submission. See section 6.

SEC. 5. FILING APPLICATION FOR A GROUP EXEMPTION LETTER

- .01 A central organization seeking a group exemption letter for its subordinates must obtain recognition of its own exemption by filing an application with the key District Director of Internal Revenue for the area in which is located the principal place of business or principal office of the organization. Any application received by the National Office or by a District Director other than as provided above will be forwarded, without action, to the appropriate key District Director.
- .02 If the central organization is recognized as exempt, it must indicate its employer identification number (EIN), the date of the letter recognizing its exemption, and the Internal Revenue Office that issued it. It need not resubmit documents already submitted. However, if it has not already done so, it must submit a copy of any amendment to its governing instruments or internal regulations as well as any information regarding any change in its character, purposes, or method of operations.
- .03 In addition to the information required to obtain recognition of its own exemption, the central organization must submit to the key District Director the following information on behalf of those subordinates to be included in the group exemption letter:
- 1 A letter signed by a principal officer of the central organization setting forth or including as attachments:
 - (a) information verifying the existence of the relationships required by section 4.02;
 - (b) a sample copy of a uniform governing instrument (charter, trust indenture, articles of association, etc.) adopted by the subordinates; or, in the absence of a uniform governing instrument, copies of representative instruments;
 - (c) a detailed description of the purposes and activities of the subordinates including the sources of receipts and the nature of expenditures;
 - (d) an affirmation that, to the best of the officer's knowledge, the purposes and activities of the subordinates are as set forth in (b) and (c) above;
 - (e) a statement that each subordinate to be included in the group exemption letter has furnished written authorization to the central organization as described in section 4.03;
 - (f) a list of subordinates to be included in the group exemption letter to which the Service has issued an outstanding ruling or determination letter relating to exemption;
 - (g) if the application for a group exemption letter involves section 501(c)(3) of the Code, and is subject to the provisions of section 508(b), an affirmation to the effect that, to the best of the officer's knowledge and belief, no subordinate to be included in the group exemption letter is a private foundation as defined in section 509(a); and
 - (h) for each subordinate that is a school claiming exemption under section 501(c)(3), the information required by Rev. Proc. 75-50, 1975-2 C.B. 834. Also, there must be included such other information necessary to establish that the school is complying with the requirements of Rev. Rul. 71-447, 1971-2 C.B. 230. This is the same information required by Schedule A, Form 1023, Application for Recognition of Exemption Under Section 501(c)(3) of the Internal Revenue Code.
 - 2 A list of the names, mailing addresses (including Postal Zip Code), actual addresses if different, and employer identification numbers of subordinates to be included in the group exemption letter. A current directory of subordinates may be furnished in lieu of the list if it includes the required information and if the subordinates not to be include in the group exemption letter are identified.

Form 886-A (May 2017)	Department of the Treasury – Internal Revenue Service Explanations of Items	Schedule number or exhibit
Name of taxpayer	Tax Identification Number	Year/Period ended

LAW (Continued):

Rev. Proc. 80-27, 1980-1 C.B. 677 (continued)

- .04 If the central organization does not have an employer identification number, it must submit a completed Form SS-4, Application for Employer Identification Number, with its exemption application. See Rev. Rul. 63-247, 1963-2 C.B. 612.
- .05 Each subordinate must have its own employer identification number even if it has no employees. The central organization must submit with the exemption application a completed Form SS-4 on behalf of each subordinate not having a number.

SEC. 6 INFORMATION REQUIRED ANNUALLY TO MAINTAIN A GROUP EXEMPTION LETTER

- .01 In order to maintain a group exemption letter, the central organization must submit annually, at least 90 days before the close of its annual accounting period, to the Internal Revenue Service Center indicated in .02 of this section, the following information:
 - 1 Information regarding all changes in the purposes, character, or method of operation of subordinates included in the group exemption letter.
 - 2 Lists of (a) subordinates that have changed their names or addresses during the year, (b) subordinates no longer to be included in the group exemption letter because they have ceased to exist, disaffiliated, or withdrawn their authorization to the central organization, and (c) subordinates to be added to the group exemption letter because they are newly organized or affiliated or they have newly authorized the central organization to include them. A separate list must be submitted for each of the three categories set out above. Each list must show the names, mailing address (including Postal ZIP Codes), actual address if different, and employer identification numbers of the affected subordinates. An annotated directory of subordinates will not be accepted for this purpose. If there were none of the above changes, the central organization must submit a statement to that effect.
 - 3. The information required by section 5.031 a through h, with respect to subordinates to be added to the group exemption letter. However, if the information upon which the group exemption letter was based is applicable in all material respects to such subordinates, a statement to this effect may be submitted in lieu of the information required by items (a) through (d) of section 5.031.
- .02
 - 1 If the central organization is located in Indiana, Kentucky, Michigan, Ohio, or West Virginia, send the report to the Internal Revenue Service Center, Cincinnati, Ohio 45999.
 - 2 If the central organization is located in Maine, New Hampshire, Vermont, Connecticut, Massachusetts, or Rhode Island, send the report to the Internal Revenue Service Center, Andover, Massachusetts 05501.
 - 3 If the central organization is located in California, Hawaii, Arizona, Utah, or Nevada, send the report to the Internal Revenue Service Center, Fresno, California 93888
 - 4 If the central organization is located in North Carolina, South Carolina, Georgia, Florida, Tennessee, Alabama, or Mississippi, send the report to the Internal Revenue Service Center, Atlanta, Georgia 31101.
 - 5 If the central organization is located in Arkansas, Colorado, Kansas, Louisiana, New Mexico, Oklahoma, Texas, or Wyoming, send the report to the Internal Revenue Service Center, Austin, Texas 73301.
 - 6 If the central organization is located in Alaska, Idaho, Minnesota, Montana, North Dakota, Oregon, South Dakota, Washington, or Wisconsin, send the report to the Internal Revenue Service Center, Ogden, Utah 84201.
 - 7 If the central organization is located in New Jersey or New York, send the report to the Internal Revenue Service Center, Holtsville, New York 00501.
 - 8 If the central organization is located in Illinois, Iowa, Missouri, or Nebraska, send the report to the Internal Revenue Service Center, Kansas City, Missouri 64999.
 - 9 If the central organization is located in Delaware, Maryland, Pennsylvania, Virginia, District of Columbia, any U.S. possession, or a foreign country, send the report to the Internal Revenue Service Center, Philadelphia, Pennsylvania 19255.

Form 886-A (May 2017)	Department of the Treasury – Internal Revenue Service Explanations of Items	Schedule number or exhibit
Name of taxpayer	Tax Identification Number	Year/Period ended

LAW (Concluded):

Rev. Proc. 80-27, 1980-1 C.B. 677 (concluded)

.03 Submission of the information required by this section does not relieve the central organization or any of its subordinates of the duty to submit such additional information as a District Director may require; to determine whether the conditions for continued exemption are being met. See sections 6001 and 6033 of the Code, and regulations thereunder.

SEC. 7. CIRCUMSTANCES UNDER WHICH A GROUP EXEMPTION LETTER WILL CEASE TO HAVE EFFECT

.01 Continued effectiveness of a group exemption letter is based on the following conditions:

- 1 continued existence of the central organization;
- 2 continued qualification of the central organization for exemption under section 501(c) of the Code;
- 3 annual submission by the central organization of the information required by section 6; and
- 4 annual filing by the central organization of an information return if one is required of it under section 6033.

.02 Continued effectiveness of a group exemption letter as to a particular subordinate is based on the conditions set out in .01 of this section and the following conditions:

- 1 continued conformity by the subordinate to the requirements for group exemption set out in SEC. 4.02 and 4.03; and
- 2 annual filing of an information return for the subordinate if one is required of it under section 6033 of the Code.

.03 A group exemption letter shall cease to have effect either as to a particular subordinate or to the group as a whole when:

- 1 The central organization notifies the Service that it is going out of existence.
- 2 The central organization notifies the Service, by its annual submission described in section 6 or otherwise, that any of its subordinates will no longer fulfill the conditions set out in .02 of this section.
- 3 The Service notifies the central organization or the affected subordinate that the group exemption letter shall cease to have effect as to some or all of the group because the conditions set out in .01 or .02 of this section have not been fulfilled.

.04 When notice is given under .03 of this section, the Service will not thereafter recognize the exempt status of the affected subordinates unless and until they file separate applications on their own behalf, or the central organization files complete supporting information for their reinclusion in the group exemption at the time of its annual submission.

.05 When notice is given by the Service as described in .03 of this section, and withdrawal of recognition is based on a failure to come within the description of the particular subparagraph of section 501(c) of the Code, the effective date will be governed by section 12.01 of Rev. Proc. 80-25. Such notice will be given after completion of the appeal procedures set out in that revenue procedure.

SEC. 8. INSTRUMENTALITIES OR AGENCIES OF POLITICAL SUBDIVISIONS

An instrumentality or agency of a political subdivision that exercises control or supervision over a number of organizations similar in purposes and operations, each of which may qualify for exemption under the same paragraph of section 501(c) of the Code, may obtain a group exemption letter covering those organizations in the same manner as a central organization. However, the instrumentality or agency must evidence that it is a qualified governmental agency. Examples of organizations over which governmental agencies exercise control or supervision are federal credit unions, state-chartered credit unions, and federal land bank associations.

SEC. 9. EFFECT ON OTHER DOCUMENTS

Rev. Proc. 77-38 is superseded.

SEC. 10. EFFECTIVE DATE

This revenue procedure is effective June 30, 1980, the date of its publication in the Internal Revenue Bulletin.

Form 886-A (May 2017)	Department of the Treasury – Internal Revenue Service Explanations of Items	Schedule number or exhibit
Name of taxpayer	Tax Identification Number	Year/Period ended

TAXPAYER POSITION:

The taxpayer has not supplied their position at this time.

GOVERNMENT POSITION:

Veterans' organizations occupy a preferred position in relation to other tax-exempt organizations. Veterans' organizations are eligible for most of the federal tax benefits available to exempt organizations without many of the restrictions. For example, veterans' organizations can and do engage in substantial political activity. In contrast, charitable organizations described in IRC Section 501(c)(3) are prohibited from engaging in almost all political activities. Also, donees may make deductible contributions to veterans' organizations. Obviously, the special position these organizations occupy is due in no small part to Congress' general desire to reward the men and women who have served their country by being past and current members in the American military. For an organization to be exempt under section 501(c)(19) the organization must meet the membership requirements found in Treas. Reg. 1.501(c)(19)-1(b), and the organizational requirements and operational requirements set forth in Treas. Reg. 1.501(c)(19)-1(c). Failure of any of these requirements precludes exemption under IRC section 501(c)(19).

The first test is the membership test found in Treas. Reg. 1.501(c)(19)-1(b).

Those requirements are:

1. At least 75% of the members must be present or former members of the United States armed forces.
2. At least 97.5% of the members must be:
 - a. present or former members of the U.S. Armed Forces,
 - b. cadets who are students in a college or university ROTC program or at an Armed Services Academy, or
 - c. spouses, widows or widowers, ancestors, or lineal descendants of such persons.

When applying the 75% test requirement:

1. No more than 25% of the total membership may be non-veterans.
2. Of the 25%, at least 90% of the members must be widows or widowers, spouses, parents, children, or grandchildren of veterans or cadets.

After the membership test is conducted, in order to meet the organizational and operation requirements, the activities of the organization must meet one or more of the eight requirements set forth in Treas. Reg. 1.501(c)(19)-1(c):

1. Promote the social welfare of the community as defined in Treas. Reg. 1.501(c)(4)-1(a)(2),
2. Assist disabled and needy war veterans and members of the United States Armed Forces and their dependents, and the widows and orphans of deceased veterans. For example, providing color guard services for a veteran's funeral,
3. Provide entertainment, care, and assistance to hospitalized veterans or members of the Armed Forces of the United States,
4. Carry on programs to perpetuate the memory of deceased veterans and members of the Armed Forces and to comfort their survivors,
5. Conduct programs for religious, charitable, scientific, literary, or educational purposes,
6. Sponsor or participate in activities of a patriotic nature,
7. Provide insurance benefits for its members or dependents of its members or both, or
8. Provide social and recreational activities for its members.

Finally, no part of the earnings of the organization can inure to the benefit of private shareholders or individuals.

The analysis must begin with the membership test.

The _____, has failed to meet the membership requirement of 75-percent current / former military service members (war veterans); 97.5-percent war veterans, present or former members of the United States Armed Forces, Cadets (including only students in college or university ROTC programs or at Armed

Form 886-A (May 2017)	Department of the Treasury – Internal Revenue Service Explanations of Items	Schedule number or exhibit
Name of taxpayer	Tax Identification Number	Year/Period ended

GOVERNMENT POSITION (continued):

Services academies), or spouses, widows, or widowers. Nor, limiting the remaining 2.5-percent of the membership is open to the general public.

Using the organization's membership as the base, members,

- The organization needed to have 75 percent or members to be war veterans.
- The organization needed to have 97.5 percent or members to be war veterans, present or former members of the United States Armed Forces, cadets, or spouses, widows, or widowers of individuals referred to above.
- The organization was limited to 2.5 percent or members be from the general public with no affiliation to other members or the United States Armed Services.

Membership Category	Number	Percent	Cumulative Percent	CODE Requirements		
				Number	Percent	Cumulative Percent
		%	%		%	%
		%	%		%	%
		%	%		%	%
TOTAL		<u>%</u>			<u>%</u>	

According to the organization's membership records, for the year ended December 31, 20 , there were a total of members. There were members meeting the military service requirements; which represents -percent of the total members; significantly less than the required 75-percent limit in the Code. There were members meeting the familial / relationship requirements; which represents -percent of the total members; significantly more than the required 22.5-percent limit in the Code. Finally, there were social members who have had no affiliated military service which represents -percent of the total members; significantly more than the 2.5-percent limit in the Code.

The did not meet their Active Membership percentage of 75 percent.

The did not meet their Active / Auxiliary Membership percentage of 97.5 percent.

The did not limit their Associate Memberships to 2.5 percent.

It is the Government's position that the does not qualify for exemption under section 501(c)(19) of the Internal Revenue Code because they fail the membership test under Treas.Reg.1.501(c)(19)-1(b).

It is the Government's position that the tax-exempt status under section 501(c)(19) of the Internal Revenue Code should be revoked effective January 1, 20 .

The Service has determined that the was properly organized based on the documentation examined.

The Service has determined that there was no inurement of the organization's income which would have benefited any private shareholders, individuals, or officers.

Form 886-A (May 2017)	Department of the Treasury – Internal Revenue Service Explanations of Items	Schedule number or exhibit
Name of taxpayer	Tax Identification Number	Year/Period ended

GOVERNMENT POSITION (concluded):

The sections of the Internal Revenue Code and underlying regulations relating to the membership requirements for veterans' organizations as recited above are explicit in their definition of the permissible member percentages a veterans organization may enroll and still maintain its exempt status. In determining whether or not a veterans organization meets the legal requirements for continued recognition of exemption from Federal income tax, the Service has virtually no latitude when membership infractions occur.

The legal requirements for recognition of exemption from Federal income tax for veterans' organizations are straight forward. Such organizations are subject to membership restrictions and must comply with these constraints in order to qualify for tax-exempt status. Moreover, if a veterans' organization such as the _____ wishes to maintain its tax-exempt status, it must continue to comply with the membership restrictions which initially qualified the Post for its tax-exempt status.

With respect to subsidiary organizations recognized as exempt under the umbrella of a group ruling, the Revenue Procedure cited above (*Rev. Proc. 80-27, 1980-1 C.B. 677*); makes it clear that all such subsidiary organizations must meet the legal requirements for recognition of exemption in order to be included in the group ruling. The fact of holding a Charter from the national organization carries no automatic provision for inclusion in the group to which the tax-exempt status applies. That is, the Income Tax Regulations which restrict the membership qualifications for veterans' organizations seeking an individual ruling letter are equally applicable to all other similar veterans' organizations seeking to be included as a subsidiary under a group ruling letter.

Since the organization does not pass the membership requirements for a veterans organization it does not qualify for exemption under Section 501(c)(19) of the Code.

With respect to the desire to make correction to its membership roster and retain tax-exempt status, the legal requirements set forth in IRC sections 501(a) or 501(c) do not provide for exceptions based on an organization's correction or remedy of the condition that caused its disqualification. In addition to the above, it appears that to permit such a correction would have the effect of relieving the American Legion National Office of its responsibility of ensuring that all of its subordinate units included in the group ruling comply with the legal requirements for inclusion. There is no legal precedent to support such a decision, and no such action is recommended.

CONCLUSION:

The _____ has established that it was covered under the group ruling for Internal Revenue Code Section 501(c)(19) that was issued to the _____. As stated in Treas. Reg. § 1.501(c)(19)-1(a), the organization must meet both the membership requirements AND the operational requirements under the Code. The _____ does not meet the membership requirements stated in Treas. Reg. § 1.501(c)(19)-1(b). Therefore, the organization does not meet the requirements for qualification. Even though the _____ operates for the exempt purposes listed in Treas. Reg. § 1.501(c)(19)-1(c); the organization does not qualify as an organization under Internal Revenue Code Section 501(c)(19) because it does not meet both the membership and operational requirements of this code section.

It is the Government's position that the _____ does not qualify for exemption under section 501(c)(19) of the Internal Revenue Code because they fail the membership test defined in Treasury Regulation Section 1.501(c)(19)-1(b).

It is the Government's position that the _____ tax-exempt status under section 501(c)(19) of the Internal Revenue Code should be revoked effective January 1, 20_____.

Form 886-A (May 2017)	Department of the Treasury – Internal Revenue Service Explanations of Items	Schedule number or exhibit
Name of taxpayer	Tax Identification Number	Year/Period ended

Based on the documentation examined by the Service, the
under another code section and the organization should consider this as an option; since the
meets the requirements of Internal Revenue Code Section 501(c)(19).

may qualify
no longer