



Department of the Treasury
Internal Revenue Service
Tax Exempt and Government Entities
PO Box 2508
Cincinnati, OH 45201

Date:
04/14/2022
Employer ID number:

Form you must file:

Tax years:

Person to contact:

Release Number: **202227011**

Release Date: 7/8/2022

UIL: **501.04-00**

Dear _____ :

This letter is our final determination that you don't qualify for exemption from federal income tax under Internal Revenue Code (IRC) Section 501(a) as an organization described in 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 the federal income tax forms for the tax years shown above within **30 days** from the date of this letter unless you request an extension of time to file. For further instructions, forms, and information, visit www.irs.gov.

We'll make this final adverse determination letter and the proposed adverse determination letter available for public inspection after deleting certain identifying information, as required by IRC Section 6110. Read the enclosed Letter 437, Notice of Intention to Disclose - Rulings, and review the two attached letters that show our proposed deletions. If you disagree with our proposed deletions, follow the instructions in the Letter 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 call the contact person shown above. If you have questions about your federal income tax status and responsibilities, call our customer service number at 800-829-1040 (TTY 800 829 4933 for deaf or hard of hearing) or customer service for businesses at 800 829 4933.

Sincerely,

Stephen A. Martin
Director, Exempt Organizations
Rulings and Agreements

Enclosures:

Letter 437

Redacted Letter 4034

Redacted Letter 4038



Department of the Treasury
Internal Revenue Service
PO Box 2508
Cincinnati, OH 45201

Date: February 15, 2022

Employer ID number:

Person to contact:

Name:

ID number:

Telephone:

Fax:

Legend:

B = Date

C = Nationality

D = Cultural function

E = Country

F = Ethnic group

G = Region

H = Locality

J = Year

x dollars = Amount

y dollars = Amount

UIL:

501.04-00

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 are an unincorporated association, formed on B.

Your primary activity is to raise funds through membership dues and to distribute those funds to named beneficiaries upon the death of any member in good standing. More specifically, you do the following:

- a. You collect contributions for death benefits and annual membership dues/fees from your members.
- b. After an active member passes, you disburse death benefit money to the named beneficiary or guardians. To claim the death benefit the beneficiary or appointed guardian is required to show proper identification. Without proper documentation, the death benefit will be delayed or denied.
- c. You establish and maintain good relations among existing members.
- d. You pursue obtaining more members.

You hold two annual meetings. The first meeting is to collect membership dues and fees and to discuss administrative matters. The second meeting is a picnic for all members, as well as their families, friends, and guests. The purpose of this gathering is to sign up new members. Occasionally, you may also provide minimal food and support services to the deceased's family.

You claim that you:

“Serve the community with burial money when needed. It is based on C culture called D. In E the neighborhood gets together to establish a cultural function known as D. It is open for everyone who is interested to join. Here in America a group of F to have a traditional and cultural burial ceremonies of death and burial get together and worked hard to make it a reality for all interested to join. They work hard to start the D by writing a plan compatible to the American way of life. A Bylaw and guideline of how to operate was written. An introduction of the D was announced by word of mouth, open invitation pamphlet was distributed at business establishment and churches.”

You also stated that “D is the name of a cultural function in C language. The sole purpose of D as a self-help members operated association is, to have burial money when a member passes.” You have indicated that death benefits are “monies paid, in the event of the death of a member.”

You are a membership organization. Per your Bylaws, your membership requirements are the following:

1. Be a legal resident of G with a valid photo identification
2. Pay all required dues and fees
3. Fill out an application form
4. Be at least 18 years old

There is only one class of membership and all members have equal voting rights.

You submitted a copy of your membership application. In this document, there is a statement that reads, “I hereby apply for membership and agree to fully adhere to the Rules and Regulations and Bylaws ... as stated therein. I also certify that the information provided above is true and correct.” Immediately below this statement, there is a section for the applicant to print and sign their name and enter the date. Below the signature block there is a section that reads, “Mandatory Requirements: Completed application, payment, copies of identification documents including birth certificates or adoption papers for children and legal residency in the H are required to be a participant. Waiting period as per the regulation begins only when required payments and documents are duly submitted and accepted...”

You stated that the initial cost of membership is x dollars and the annual administrative fee is y dollars. You indicated that the value of the death benefit provided will escalate based on increasing membership and availability of funding.

All of your revenues are fees from members, and your sole expenses are distributions to or for the benefit of your members.

Membership can be terminated for nonpayment of annual membership dues/fees, if the member is not current on death benefit contribution payments, and if the member is not in compliance with your Bylaws.

You paid out death benefits most recently in the year J.

Law

IRC Section 501(c)(4) exempts from tax civic leagues or organizations not organized for profit but operated exclusively for the promotion of social welfare, or local associations of employees, the membership of which is limited to the employees of a designated person or persons in a particular municipality, and the net earnings of which are devoted exclusively to charitable, educational, or recreational purposes, and of which no part of the net earnings inures to the benefit of any private shareholders or individual.

Treasury Regulation Section 1.501(c)(4)-1(a)(1) states a civic league or organization may be exempt as an organization described in IRC Section 501(c)(4) if it is not organized or operated for profit and it is operated exclusively for the promotion of social welfare.

Treas. Reg. Section 1.501(c)(4)-1(a)(2)(i) states, "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 people of the community. An organization embraced within this section is one which is operated primarily for the purpose of bringing about civic betterments and social improvements."

Revenue Ruling 54-394, 1954-2 C.B. 131, holds that an organization operating in such an area whose sole activity is providing television reception to its members on a cooperative basis is not entitled to exemption as a civic league.

Revenue Ruling 62-167, 1962-2 C.B. 142, holds that retransmitting television signals to the entire community without compulsory fees is a social welfare activity and is therefore exempt under IRC Section 501(c)(4).

Revenue Ruling 75-199, 1975-1 C.B. 160, illustrates that a nonprofit organization, holding monthly meetings for members and principally supported by membership dues, 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 providing sick benefits to members and death benefits to their beneficiaries is not exempt under IRC Section 501(c)(4). As stated in this ruling, "A membership organization of the type here described is essentially a mutual, self-interest type of organization. Its income is used to provide direct economic benefits to members and any benefit to the larger community is minor and incidental. Where the benefit from an organization is limited to that organization's members (except for some minor and incidental benefit to the community as a whole), the organization is not operated exclusively for the promotion of social welfare within the meaning of section 501(c)(4) of the Code."

Revenue Ruling 81-58, 1981-1 C.B. 331, describes a nonprofit police officer association whose primary activity is providing lump-sum retirement payments to its members or death benefits to their beneficiaries. The organization primarily provides death and retirement benefits as a supplement to the civil service benefit program provided by the political subdivision in which the police officers are employed. Hence, the organization is essentially a mutual, self-interest type of organization. Its income is used to provide direct economic benefits to members. Therefore, the organization is not operated exclusively for the promotion of social welfare within the meaning of IRC Section 501(c)(4).

Revenue Ruling 87-126, 1987-2 C.B. 150, describes a nonprofit association that provides firefighters with retirement benefits. The association is funded primarily by government sources. Approximately 75% of the funds were from governmental funds. All of the members were firefighters employed by the local government prior to the effective date of the civil service retirement program provided by state and local governments. These are retirement funds provided exclusively to these firefighters. The association's funding, financing, and eligibility requirements are governed by an act of the state legislature. The local government is represented on the association's board of directors, retains the ultimate authority to approve changes in the association's benefit plan, participates in the association's investment process, and is required to approve all significant expenditures of the association. It was determined that such an organization qualifies for exemption as a social welfare organization under IRC Section 501(c)(4) on the grounds that it is providing a benefit of a type and in an amount that the local government has decided is sufficiently in the public interest to be recognized as a legitimate function of government, as evidenced by its and the state government's willingness to fund the association and by the establishment of a civil service retirement program to provide comparable benefits.

In Police Benevolent Association of Richmond v. U.S., 661 F. Supp.765 (E.D. Va.), aff'd, 836 F.2d 547 (4th Cir. 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

You are not operated exclusively for the promotion of social welfare purposes under IRC Section 501(c)(4). Providing death benefits in exchange for a fee does not promote social welfare of the community. Also, your membership is limited in a manner that serves private rather than public interests.

You do not meet the requirement outlined in Treas. Reg. Section 1.501(c)(4)-1(a)(1). You are not a civic league. You are formed primarily for the benefit of your members which does not promote social welfare.

You do not meet the requirement outlined in Treas. Reg. Section 1.501(c)(4)-1(a)(2)(i). You provide death benefits to your members in exchange for a fee, and any benefit to the community as a whole is minor and incidental. Your activities are not geared towards and do not bring about civic betterments and social improvements.

You are like the organization described in Rev. Rul. 54-394. You only offer your benefits to those that pay the designated fees, and are essentially a mutual, self-interest type of organization.

You are unlike the organization described in Rev. Rul. 62-167. Your benefits are not available to everyone in a community free of charge.

You are like the organization described in Rev. Rul. 75-199. You provide economic benefits to your members, who belong to a particular ethnic group residing in a stated geographical area. You do not promote the social welfare of the entire community. You are wholly financially supported by your members. Any exempt purposes you further are inherently minor and incidental to the economic benefits you provide to your members.

You are also like the organization described in Rev. Rul. 81-58, whose primary activity was to provide retirement and death benefits to its members or beneficiaries of said members. Like the organization you are essentially a mutual benefit, self-interest type of organization.

You are unlike the organization described in Rev. Rul. 87-126. You do not receive any governmental funding and membership is not restricted to municipal employees. You are not controlled by governmental units and/or political subdivisions. You were not created under an act of the state legislature. The benefits you provide are not benefits that would otherwise be required to be provided by a governmental unit.

You are like the organization in Police Benevolent Association of Richmond v. U.S., in that you are also providing economic benefits to your members as a substantial part of your activities.

Conclusion

You are neither operated nor organized as an organization described under IRC Section 501(c)(4). You are not a social welfare organization. You are not a civic league. You are not an association of local municipal employees. You are not primarily engaged in promoting social welfare. Therefore, you do not qualify for exemption under Section 501(c)(4).

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 Determination 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
PO 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 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 or call 877-777-4778.

Sincerely,

Stephen A. Martin
Director, Exempt Organizations
Rulings and Agreements