



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

Date:
04/03/2023
Employer ID number:

Form you must file:

Tax years:

Person to contact:

Number: **202326020**
Release Date: 6/30/2023

UIL: 501.35-00, 501.03-00

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)(3). 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.

Because you don't qualify as a tax-exempt organization under IRC Section 501(c)(3), donors generally can't deduct contributions to you under IRC Section 170.

We may notify the appropriate state officials of our determination, as required by IRC Section 6104(c), by sending them a copy of this final letter along with the proposed determination letter.

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: 10/05/2022

Employer ID number:

Person to contact:

Name:

ID number:

Telephone:

Fax:

Legend:

B = Date Application Submitted
E = Parent Lodge
G = Date Formed
H = State of Formation
h dollars = Initiation
j dollars = Annual Fee
k percent = Time Spent

UIL:

501.35-00
501.03-00

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)(3). 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)(3)? No, for the reasons stated below.

Facts

You submitted Form 1023-EZ, *Streamline Application for Recognition of Exemption Under Section 501(c)(3) of the Internal Revenue Code*.

You attest on Form 1023-EZ that you are organized and operated exclusively to further charitable purpose.

You attest that you have the necessary organizing document, that your organizing document limits your purposes to one or more exempt purposes within the meaning of IRC Section 501(c)(3), that your organizing document does not expressly empower you to engage in activities, other than an insubstantial part, that are not in furtherance of one or more exempt purposes, and that your organizing document contains the dissolution provision required under Section 501(c)(3).

Letter 4034 (Rev. 01-2021)
Catalog Number 47628K

You attest that you have not conducted and will not conduct prohibited activities under IRC Section 501(c)(3). Specifically, you attest you will:

- Refrain from supporting or opposing candidates in political campaigns in any way
- Ensure that your net earnings do not inure in whole or in part to the benefit of private shareholders or individuals
- Not further non-exempt purposes (such as purposes that benefit private interests) more than insubstantially
- Not be organized or operated for the primary purpose of conducting a trade or business that is not related to your exempt purpose(s)
- Not devote more than an insubstantial part of your activities attempting to influence legislation or, if you made a Section 501(h) election, not normally make expenditures in excess of expenditure limitations outlined in Section 501(h)
- Not provide commercial-type insurance as a substantial part of your activities

The Form 1023EZ states that you are an appendant body to a fraternal organization.

During review of your Form 1023-EZ that was submitted on B, detailed information was requested supplemental to that above. You were formed as an unincorporated association on G, in H. Your charter does not include a stated corporate purpose.

You explained that you are a social fraternal organization operating under the jurisdiction of your parent and founding organization which is an appendant body of a fraternal organization. You stated that your activities are conducted by members in good standing in a subordinate lodge of a fraternal organization and a chapter of E who are elected by unanimous vote. You are a membership organization, and your membership is open to the public. You charge h dollars as an initiation fee. You also charge an annual membership fee of j dollars. The fees you charge are based on what you are charged by the parent organization. In exchange for your fees, you provide educational and informational materials to members as prescribed your parent organization. Your expenses include administrative items, reimbursement to your members for items related to your activities, and payments to your parent organization.

Law

IRC Section 501(c)(3) of the Code provides for the recognition of exemption of organizations that are organized and operated exclusively for charitable, educational, or other purposes as specified in the statute. No part of the net earnings may inure to the benefit of any private shareholder or individual.

Treasury Regulation Section 1.501(c)(3)-1(a)(1) provides that, in order to be exempt as an organization described in Section 501(c)(3) of the Code, an organization must be both organized and operated exclusively for one or more of the purposes specified in such section. If an organization fails to meet either the organizational test or the operational test, it is not exempt.

Treas. Reg. Section 1.501(c)(3)-1(b)(1)(i) provides that an organization is organized exclusively for one or more exempt purposes only if its articles of organization:

- (a) Limit the purposes of such organization to one or more exempt purposes; and

(b) Do not expressly empower the organization engage, otherwise than as an insubstantial part of its activities, in activities that in themselves are not in furtherance of one or more exempt purposes.

Treas. Reg. Section 1.501(c)(3)-1(d)(1)(ii) states that an organization is not organized or operated exclusively for exempt purposes unless it serves a public rather than a private interest.

Revenue Ruling 66-179, 1966-1 C.B. 139, Situation 4, describes a garden club which was denied exemption under IRC Section 501(c)(3) because a substantial part of the organization's activities, consisted of social functions for the benefit, pleasure, and recreation of its members. The organization described in this situation conducted substantial social functions not in furtherance of any of the purposes specified in IRC Section 501(c)(3).

Revenue Ruling 74-116, 1974-1 C.B. 127, describes an organization whose membership is devoted to developing and exchanging data among users of a specific type of computer. The organization also served as a liaison between users and the manufacturer of the computer. The overall goal of the organization was to serve the private interests of its members and it was not granted exemption under IRC Section 501(c)(3).

Alumnae Chapter Beta of Clovia v. C.I.R., T.C. Memo 1983-303 (1983), holds that when benefits are directed toward a narrowly designated group, and when viewed against an organization's avowed fraternal purposes, the conclusion is drawn that the organization has not met the "operated exclusively" test of IRC Section 501(c)(3). The case also agrees with prior precedent that the word exclusively plainly means if a single, non-exempt purpose is substantial in nature, this will destroy exemption regardless of the number or importance of truly exempt purposes.

Application of law

IRC Section 501(c)(3) and Treas. Reg. Section 1.501(c)(3)-1(a)(1) set forth two main tests to qualify for exempt status. An organization must be both organized and operated exclusively for purposes described in IRC Section 501(c)(3). You have failed to meet the organizational and operational requirement, as explained below.

You fail the organizational test because your organizational document does not include language that limits your purposes to one or more exempt purposes. Accordingly, you do not satisfy the organizational test required by Treas. Reg. Section 1.501(c)(3)-1(b)(1)(i). Therefore, you are not organized for exclusively exempt purposes.

You fail the operational test because you do not meet Treas. Reg. Section 1.501(c)(3)-1(d)(1)(ii). You state you are formed as a social, fraternal organization for the benefit of your members. Since you are not operating for an exempt purpose under IRC Section 501(c)(3) and serve a private rather than public interest, you do not meet the requirements for exemption under this section.

You are similar to the organization described in Situation 4 of Revenue Ruling 66-179 in that a substantial amount of the functions you conduct are social in nature and are for the benefit of your members. This is not in furtherance of any of the purposes specified in IRC Section 501(c)(3).

You are like the organization described in Rev. Rul. 74-116 that failed to qualify under IRC Section 501(c)(3). The organization's overall goal was to serve the private interests of its members. Therefore, you are not operated exclusively for exempt purposes under IRC Section 501(c)(3)

You are similar to the organization described in Alumnae Chapter Beta of Clovia v. C.I.R.. Your benefits are directed toward your members. When viewed with your stated social and fraternal purpose, you have not met the “operated exclusively” test of exemption of IRC Section 501(c)(3). In addition, by being formed for the aforementioned purposes, you are clearly formed for a substantial non-exempt purpose. As this case affirms, if a single, non-exempt purpose is present, this would preclude exemption, regardless of evidence of other acceptable exempt purposes.

Conclusion

Based on the facts and circumstances presented, you do not qualify for exemption from federal income tax as an organization described in IRC Section 501(c)(3). You are not organized or operated exclusively for exempt purposes as set forth in IRC Section 501(c)(3). Your organizing document does not include language that limits your purposes to one or more exempt purposes in IRC Section 501(c)(3). By providing members with an opportunity to pursue social and fraternal activities, you are operated for the private benefit of your members, which is a substantial non-exempt purpose. Therefore, exemption is not granted under IRC Section 501(c)(3). Donations to you are not deductible by the donor.

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/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 or call 877-777-4778.

Sincerely,

Stephen A. Martin
Director, Exempt Organizations
Rulings and Agreements