

Date: **MAY 18 2023**

Person to contact:
Name:
Employee ID number:
Telephone:
Fax:
Employer ID number:

Uniform issue list (UIL):
501.08-00

Number: **202332017**
Release Date: 8/11/2023

Certified Mail

Dear :

This is a final adverse 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) [Subsection].

We made the adverse determination for the following reasons:

You have not established that you are operated under the lodge system or for the exclusive benefit of a fraternity itself operating under the lodge system as required by I.R.C Section 501(c)(8) and Treasury Regulations Section 1.501(c)(8)-1(a).

You're required to file federal income tax returns on Forms 1120, U.S. Corporation Income Tax Return. Mail your form to the appropriate Internal Revenue Service Center per the form's instructions. You can get forms and instructions by visiting our website at [IRS.gov/forms](https://www.irs.gov/forms) or by calling 800-TAX-FORM (800-829-3676).

We'll make this letter and the proposed adverse determination letter available for public inspection under IRC Section 6110 after deleting certain identifying information. We provided to you, in a separate mailing, Notice 437, Notice of Intention to Disclose. Please review the Notice 437 and the documents attached that show our proposed deletions. If you disagree with our proposed deletions, follow the instructions in Notice 437.

If you decide to contest this determination, you can file an action for declaratory judgment under the provisions of IRC Section 7428 in either:

- The United States Tax Court,
- The United States Court of Federal Claims, or
- The United States District Court for the District of Columbia

You must file a petition or complaint in one of these three courts within 90 days from the date we mailed this determination letter to you. You can download a fillable petition or complaint form and get information about filing at each respective court's website listed below or by contacting the Office of the Clerk of the Court at one of the addresses below. Be sure to include a copy of this letter and any attachments and the applicable filing fee with the petition or complaint.

You can eFile your completed U.S. Tax Court petition by following the instructions and user guides available on the Tax Court website at ustaxcourt.gov/dawson.html. You will need to register for a DAWSON account to do so. You may also file your petition at the address below:

United States Tax Court
400 Second Street, NW
Washington, DC 20217
ustaxcourt.gov

The websites of the U.S. Court of Federal Claims and the U.S. District Court for the District of Columbia contain instructions about how to file your completed complaint electronically. You may also file your complaint at one of the addresses below:

U.S. Court of Federal Claims
717 Madison Place, NW
Washington, DC 20439
uscfc.uscourts.gov

U.S. District Court for the District of Columbia
333 Constitution Avenue, NW
Washington, DC 20001
dcd.uscourts.gov

Note: We will not delay processing income tax returns and assessing any taxes due even if you file a petition for declaratory judgment under IRC Section 7428.

Taxpayer rights and sources for assistance

The Internal Revenue Code (IRC) gives taxpayers specific rights. The Taxpayer Bill of Rights groups these into 10 fundamental rights. See IRC Section 7803(a)(3). IRS employees are responsible for being familiar with and following these rights. For additional information about your taxpayer rights, please see the enclosed Publication 1, Your Rights as a Taxpayer, or visit IRS.gov/taxpayer-bill-of-rights.

The Taxpayer Advocate Service (TAS) is an independent organization within the IRS that helps taxpayers and protects taxpayers' rights. TAS can offer you help if your tax problem is causing a financial difficulty, you've tried but been unable to resolve your issue with the IRS, or you believe an IRS system, process, or procedure isn't working as it should. If you qualify for TAS assistance, which is always free, TAS will do everything possible to help you. To learn more, visit taxpayeradvocate.irs.gov or call 877-777-4778.

Tax professionals who are independent from the IRS may be able to help you.

Low Income Taxpayer Clinics (LITCs) can represent low-income persons before the IRS or in court. LITCs can also help persons who speak English as a second language. Any services provided by an LITC must be for free or a small fee. To find an LITC near you:

- Go to taxpayeradvocate.irs.gov/litcmap;
- Download IRS Publication 4134, Low Income Taxpayer Clinic List, available at IRS.gov/forms; or
- Call the IRS toll-free at 800-829-3676 and ask for a copy of Publication 4134.

State bar associations, state or local societies of accountants or enrolled agents, or other nonprofit tax professional organizations may also be able to provide referrals.

TAS assistance is not a substitute for established IRS procedures, such as the formal appeals process. TAS cannot reverse a legally correct tax determination, or extend the time fixed by law that you have to file a petition in a United States Court.

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

Sincerely,

Doug O'Donnell
Acting Commissioner
By

Valeria B. Farr
Appeals Team Manager

Enclosures:
Publication 1
IRS Appeals Survey



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

Date: 10/05/2021

Employer ID number:

Person to contact:

Name:

ID number:

Telephone:

Fax:

UIL: 501.08-00

Legend:

B = State
C = Date
D = Individual
E = Organization
F = Organization
G = Organization
H = Organization
J = Position
K = Position
L = Position
M = Position
N = Organization
O = Organization
P = Organization
Q = Book
R = Organization
S = Religion
T = Religion

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

Facts

You were formed in the state of B on C. Your Articles of Incorporation, Article 3(a) states "The object is to foster individuals, initiates and existing members, strengthening the fraternal purpose, of right be ascension, through natural sciences and doctrine, recommending opinion and fact, and the benefit entrusted technology".

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

In addition, Article 3(b) states that the purposes for which you are organized are “exclusively religious, charitable, scientific, literary, and educational within the meaning of Internal Revenue Code (IRC) section 501(c)(8), Section 501(c)(3) of the Internal Revenue Code of 1954 or the corresponding provision of any future United States Internal Revenue Law”.

Finally, Article 3(d), states that:

In the event of dissolution, the residual assets of the organization will be turned over to one or more organizations which themselves are exempt as organizations described in Sections 501(c)(3) and 170(c)(2) of the Internal Revenue Code of 1954 or corresponding sections of any prior or future Internal Revenue Code, or to the Federal, State, or local government for exclusive public purpose.

Your Form 1024, Part II, Item 8, states that upon dissolution:

Assets received and held subject to a limitation permitting use only for charitable, religious, benevolent, educational, or similar purposes, but not held on a condition requiring return or transfer on dissolution of the corporation, shall be transferred to one or more appropriate domestic or foreign corporations, or distributed to persons, societies, organizations, or domestic or foreign corporations engaged in activities not for profit.

You state on *Form 1024 Application for Recognition of Exemption under Section 501(a)* that your planned activities will include literature written by D that covers the opinion and recommendation of the following:

- The implementation of identification for protection of the individual, fostering of truth and the reasoning faculty, strengthening the purpose of
- The correct appropriation of technological resources for protection of the reward of the individual by way of and , telecommunication and commerce.
- The role of S in universal freedom, peace, capitalism, and democracy.
- The advocacy of right and privilege by ascension and the development of the T mentality for the preservation of titles of and the importance of such titles in justice and equality.
- Equity remedies, the role of titles of through application and understanding and the awareness of the regression through diversity and diplomacy without.

You will offer workers compensations insurance to employees as well as life insurance after a 90-day probationary period.

You have two types of membership: beneficial and social. You state on Form 1024 “membership qualifications are consistent with membership qualifications under the lodge system, one of a just, upright, and free men, of 18 years or older male, or mature age, with strict morals, and sound judgement”. Article 4 in your Articles of Incorporation provides that you will have membership regulated by your Bylaws, the lodge system under E and F, and in accordance with IRC Section 501(c)(8). Membership will be composed of individuals meeting criteria consistent with the fraternal purpose of G, and current members. Initiates must be 18 years of age and believe in a . You do not discriminate in regard to age, race, color, religion, lack of religion, sex, or sexual preference.

You currently have one member, D. D is your "Preceptor", point of contact, the person that filed your Articles of Incorporation, your registered agent, your board member, and the individual that paid your user fee. You intend to acquire approximately new members in the future and fill several other positions in your governing body. However, you state that:

Lack of resources and inadequate funding for the appropriate measures to prevent , of , the coupling of individuals using or remote for enhancement or changing one and , and overall social and economic disadvantage, has hindered the growth and membership intake of the fraternity. Such technology or resources is essential to strengthening the fraternal purpose of reward from work which is never to be cut off and entitled no matter how great or small. Thus, the startup cost goes far beyond normal initiation fees and dues and will likely increase with each additional member.

You do not have a physical address due to lack of funding; % of activities will be online in which consists of lectures and commentary of the the work of the , and introduction to

Funding will come from a charitable trust, however, "to date there has been no funding provided by way of charitable trust". In the future, real estate will be liquidated into a charitable trust, which will in turn generate interest income. You also hope to eventually solicit other charitable donations. These two sources of revenue will be your primary source of funding, greater than funding from dues or fees you will charge.

In the future, you intend to publish and distribute several " " or, in other words, forms of literature. This literature will consist of lectures derived from Q. This activity will occur wholly online. You will charge initiation fees and annual dues to anyone who wishes to access these degrees.

Aside from D publishing and distributing literature online in exchange for initiation fees and annual dues, you also state "beneficiary members and social members additional activities consist of the raising and passing of the of R, rituals and ceremonies. Beneficiary Members activities also consist of the rituals and ceremony of the H, for J, K, I, M, N, O, and P. All activities are offered each month "

You stated that while you currently have no subordinate lodges, you will be a Grand Lodge after acquiring appropriate funding and membership. You have not provided documentation showing you are part of a lodge system. You state that "due to the obligation of secrecy, fidelity, and obedience, physical documentation cannot be provided." The registrar contract information for E or P was provided as a means of validation.

Law

IRC Section 501(c)(8) exempts from federal income tax "Fraternal beneficiary societies, orders, or associations (A) operating under the lodge system or for the exclusive benefit of a fraternity itself operating under the lodge system, and (B) providing for the payment of life, sick, accident, or other benefits to the members of such society, order, or association or their dependents".

Treasury Regulation Section 1.501(c)(8)-1(a) provides that "A fraternal beneficiary society is exempt from tax only if operated under the lodge system or for the exclusive benefit of the members so operating. Operating

under the lodge system means carrying on its activities under a form of organization that comprises local branches, chartered by a parent organization and largely self-governing, called lodges, chapters, or the like. In order to be exempt it is also necessary that the society have an established system for the payment to its members or their dependents of life, sick, accident, or other benefits”.

Rev. Rul. 55-495, 1955-2 C.B. 259, found an organization that provides for the payment of benefits to members or their dependents, but does not operate under the lodge system or for the exclusive benefit of an organization so operating, is not exempt under IRC section 501(c)(8).

Rev. Rul. 63-190, 1963-2 C.B. 212, determined that an organization which maintains a social club for members and provides sick and death benefits for members and their beneficiaries, does not qualify for exemption from Federal income tax as a fraternal beneficiary society under IRC section 501(c)(8).

Revenue Procedure 2021-5, 2021-1 I.R.B. 2, Section 3 states that a determination letter or ruling on exempt status is issued based solely upon the facts and representations contained in the administrative record. The applicant is responsible for the accuracy of any factual representations contained in the application. Section 6 (and its predecessors) provides that a favorable determination letter or ruling will be issued to an organization only if its application and supporting documents establish that it meets the particular requirements of the section under which exemption from federal income tax is claimed.

In National Union v. Marlow, 74 F. 775 (1896) the court found that “A fraternal beneficiary society ... would be one whose members have adopted the same, or a very similar calling, avocation, or profession, or who are working in union to accomplish some worthy object, and who for that reason have banded themselves together as an association or society to aid and assist one another, and to promote the common cause. The term “fraternal” can properly be applied to such an association for the reason that the pursuit of a common object, calling, or profession usually has a tendency to create a brotherly feeling among those who are thus engaged. As a general rule, such associations have been formed for the purpose of promoting the social, moral, and intellectual welfare of the members of such associations and their families, as well as for advancing their interests in other ways and in other respects.... Many of these associations make a practice of assisting their sick and disabled members, and of extending substantial aid to the families of deceased members. Their work is at the same time of a beneficial and fraternal character because they aim to improve the condition of a class of persons who are engaged in a common pursuit, and to unite them by a stronger bond of sympathy and interest”.

In Western Funeral Benefit Association v. Hellmich, 2 F.2d 367 (E.D. Mo. 1924), the court stated that “by the ‘lodge system’ is generally understood as an organization which holds regular meetings at a designated place, adopts a representative form of government, and performs its work according to ritual.”

As held in Philadelphia and Reading Relieve Association v. Commissioner, 4 B.T.A. 713 (1926), an organization does not serve a fraternal purpose unless its members engage in fraternal activities, even if its members enjoy a common tie or goal.

As held in Polish Army Veterans Post 147 v. Commissioner, 24 T.C. 891, *rev'd on other grounds*, 236 F.2d 509 (3rd Cir. 1956), social activities alone do not satisfy the requirements of a common calling, avocation, or profession or pursuit of a common object as required to be fraternal.

In Universal Life Church v. United States, 372 F. Supp. 770 (E.D. Cal. 1974), the court concluded that “one seeking a tax exemption has the burden of establishing his right to a tax-exempt status.”

Pius XII Academy, Inc. v. Commissioner, T.C. Memo. 1982-97, affd. 711 F.2d 1058 (6th Cir. 1983), provides that an organization must establish through the administrative record that it operates as an exempt organization. Denial of exemption may be based solely upon failure to provide information describing in adequate detail how the operational test will be met.

In La Verdad v. Commissioner, 82 T.C. 215 (1984), the administrative record did not demonstrate that the organization would operate exclusively in furtherance of an exempt purpose. Therefore, denial of organization’s request for tax-exempt status was reasonable.

New Dynamics Foundation v. United States, 70 Fed. Cl. 782 (2006), was an action for declaratory judgment that the petitioner brought to challenge the denial of his application for exempt status. The court, in finding that the actual purposes displayed in the administrative record supported the Service’s denial, stated “It is well-accepted that, in initial qualification cases such as this, gaps in the administrative record are resolved against the applicant.” The court noted that if the petitioner had evidence that contradicted these findings, it should have submitted it as part of the administrative process. The court also highlighted the principle that exemptions from income tax are matters of legislative grace.

Ohio Disability Association v. Commissioner, T.C. Memo 2009-261 (2009), states denial is justified because responses to requests for additional information failed to supplement the initial application or clarify purposes and activities, and generalizations did not provide sufficient detail to determine that the organization would be operated exclusively for exempt purposes.

Application of law

You are not operated within the meaning of IRC Section 501(c)(8) because you are not a fraternal society and do not operate under the lodge system. Further, you do not operate for the exclusive benefit of the members of a fraternity or fraternities operating under the lodge system. In addition, you do not meet the requirements of Treas. Reg. Section 1.501(c)(8)-1(a) because you are not carrying on activities under a form of organization that comprises local branches, chartered by a parent organization and largely self governing, called lodges, chapters, or the like. While you have stated that you are part of multiple fraternal orders, you have not submitted any evidence in support of your statements. Finally, you are not a parent with chapters or local branches.

You are similar to the organizations described in Rev. Ruls. 55-495 and 63-190. While you intend on having two types of memberships, you are not operated under the lodge system or for the exclusive benefit of an organization so operating. Additionally, you have no parent organization or subordinate branches.

As illustrated in National Union v. Marlow, you are not a fraternal beneficiary society. You only have one member. You engage exclusively in online activities. You have not created any comradery or bond that is established within a fraternal organization.

You are similar to the organizations in Polish Army Veterans Post 147 v. Commissioner and Philadelphia and Reading Relieve Association v. Commissioner. You are not fraternal; social activities alone do not constitute a fraternal organization. Any fraternal-type activities that you plan to conduct are secondary and minor in comparison to the online publishing activities you conduct. You are primarily engaging in creating literature,

and then distributing it and selling it online, which is not a fraternal activity. For example, you plan to charge 'members' fees in exchange for literature. Your online activities are void of material social features or interactions.

As held in Western Funeral Benefit Association v. Hellmich, an organization must hold meetings at a designated place, adopt a representative form of government, and perform its work according to ritual. You do not have a physical address. A majority of your activities are conducted online. Hence, you do not hold regular meetings at a designated place. Both your governing body and membership consist of one person, D. You assert that you are part of multiple fraternal orders, however, you have not adopted a representative form of government nor are you affiliated with any one fraternal order. Rather, you appear to be engaged in business activity, similar to the organization described in the court case.

A ruling on exempt status is based solely on facts and representations in the administrative file. You have not submitted sufficient information establishing you are operated exclusively for IRC Section 501(c)(8) purposes. (See Universal Life Church, Pius XII Academy, La Verdad, New Dynamics Foundation and Ohio Disability Association) The information provided does not establish exempt status. Therefore, there is not sufficient documentation to establish that you are exempt from taxation as required by Section 501(c)(8) and Revenue Procedure 2021-5. As in Universal Life Church, you have the burden of establishing that you qualify for tax exemption.

In Pius XII Academy, Inc., La Verdad, and New Dynamics Foundation, it was established that an organization must establish, through its administrative record, that it meets the requirements for exemption. Because you failed to provide sufficient details in your initial application and the additional information you provided did not meet the statutory and regulatory requirements for exemption, you have not established that you meet the requirements for exemption under IRC Section 501(c)(8). As provided in New Dynamics Foundation, any gaps in the administrative record will be resolved against the applicant. Similarly, in Ohio Disability Association, the court found that even when additional information was provided, but it contained generalizations and failed to clarify purposes, denial is justified. You did not provide supplemental information; therefore, we are unable to determine that you qualify for exemption.

Conclusion

You are not operated as an organization described under IRC Section 501(c)(8). You are not a fraternal organization nor are you operated under the lodge system. You are not operated exclusively for the benefit of a fraternal organization operated under the lodge system. Therefore, you do not qualify for exemption under Section 501(c)(8).

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.

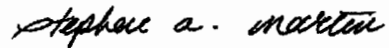
You can get the forms and publications mentioned in this letter by visiting our website at www.irs.gov/forms-pubs or by calling 800-TAX-FORM (800-829-3676). If you have questions, you can contact the person listed at the top of this letter.

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,

A handwritten signature in cursive script that reads "Stephen A. Martin".

Stephen A. Martin
Director, Exempt Organizations
Rulings and Agreements