



Department of the Treasury
Internal Revenue Service
Independent Office of Appeals

Date: **OCT 19 2023**

Person to contact:
Name:
Employee ID Number:
Phone:
Fax:
Hours:
Employer ID number:

Uniform issue list (UIL):
0501 .08-00

Release Number: 202402011
Release Date: 1/12/2024
UIL Code: 501.08-00

Certified Mail

Dear :

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

We have hereby revoked the favorable determination letter to you dated and you are no longer exempt under Section 501(a) of the Code effective June 1, 2018.

We made the adverse determination for the following reasons:

Organizations exempt from tax under section 501(c)(8) of the Internal Revenue Code must be fraternal beneficial societies, operated under the lodge system, which provide life, sick, accident, or other benefits to their members or their dependents. See Treas. Reg. § 1.501(c)(8)-1(a). You have not demonstrated that you are a fraternal organization, or that you provide life, sick, accident or other benefits required by I.R.C. § 501(c)(8). Further, you have not kept sufficient records to establish that you are observing the conditions of your tax-exempt status. See Treas. Reg. § 1.6033-1; Rev. Rul. 59-95.

Contributions to your organization are not deductible under Section 170 of the Code.

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 www.irs.gov/forms or by calling 800-TAX-FORM (800-829-3676).

You've agreed to waive your right to contest this determination under the declaratory judgment provisions of Section 7428 of the Code.

We'll make this letter and the proposed adverse determination letter available for public inspection under Section 6110 of the Code 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 have questions, contact the person at the top of this letter.

Sincerely,

Valeria B. Farr

Valeria B Farr
Appeals Team Manager

Enclosures:
IRS Appeals Survey



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

Date:
04/11/2022
Taxpayer ID number:

Form:

Tax periods ended:

Person to contact:

Name:
ID number:
Telephone:
Fax:
Address:

Manager's contact information:

Name:
ID number:
Telephone:

Response due date:
05/11/2022

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)(8).

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)(8) for the periods above.

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.

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,

Lynn Brinkley *for*
Director, Exempt Organizations Examinations

Enclosures:

Form 886-A
Form 6018
Form 4621-A
Pub 892
Pub 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 (last 4 digits)	Year/Period ended

ISSUES:

Whether the _____ exempt under a group ruling as a 501(c)(8) should be removed from the group exemption due to its failure to respond and produce records.

FACTS:

The _____ (hereafter referred to as the "_____") is an Association. The _____ is a subordinate exempt under an IRC 501(c)(8) group ruling with the central organization being the _____. The _____ is classified as an IRC 501(c)(8) Fraternal Beneficiary Society/Association. Its prior subsection classification was an IRC 501(c)(10) Domestic Fraternal Society & Association.

Per the _____ Form _____, it is operated for the purpose of providing charitable donations.

After previously responding and communicating with the Internal Revenue Service, as of _____, the _____ has completely stopped verbal and written communication in connection to the examination of the Form _____ for the tax year ending _____. As a result, the _____ has failed to provide all the requested documents required to conduct and conclude the examination.

Exhibit A (below) provides a list of the Internal Revenue Service's correspondence or phone contact made to the _____ requesting that it provide information pertaining to its Form _____ for the year ending _____.

Summary of Exhibit A

Date Sent or Called	Contact Type	Correspondence Sent/Phone Contact	Certified Receipt Signed By and Date	Response
	USPS Letter	Sent Letter 3611 to Organization		No response
	Phone	Called Organization		: Phone contact made with _____. Agent was told that the contact person listed on _____ no longer worked at the _____. Agent was given the name _____.

Explanations of Items

Name of taxpayer

Tax Identification Number (last 4 digits)

Year/Period ended

	Phone	Called			No answer. Unable to leave message. No response
	Phone	Called			No answer. Left voicemail message. No response.
	Phone	Called			No answer. Left voicemail message. No response.
	Phone	Called	&		No answer. Left voicemail message. No response.
	Certified Letter	Letter 5798 1 st Extension IDR-01 sent			
	Phone	Called			No answer. Left voicemail message. No response.
	Phone	Called			No answer. Left voicemail message. No response.
	Phone	Called Organization			No answer. No response.
	Certified Letter	Letter 5077-d Delinquency Notice IDR-01			contacted Agent and stated that the Delinquency Notice received was the 1st notice he received from the IRS. He stated that the secretary has been out with so he and another Officer have been filling in for her.
	Certified Letter	Letter 5798 2 nd Extension to IDR-01 sent			: Partial response to IDR-01 received.
	Phone	Called			No answer. Left voicemail message. No response.
	Phone	Called			No answer. Left voicemail message. No response.
	Certified Letter	Letter 5464 IDR-02 Follow-up to IDR-01	(Date IRS received)		: Partial Response to IDR-02 received.
	Phone	Phoned			: Spoke with . He confirmed receipt of IDR-02.

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Certified Letter	Letter 5798 1 st Extension IDR-02		: Received partial response to IDR-02 via fax
Phone	Called		No answer. Left voicemail message. No response.
Phone	Called		: Spoke with
Phone	Called		No answer. Left voicemail message. No response.
Phone	Called		No answer. Left voicemail message. No response.
Certified Letter	Letter 5798 2 nd Extension IDR-02	Illegible signature. " " entered in the "Received by" field.	No response.
UPS Letter	L5077-D Delinquency Notice IDR-02		No response.
Certified Letter	Letter 5077-A Pre-Summons Notice	Illegible signature. " " entered in the "Received by" field.	No response.
Certified Letter	Letter 13164-e 3 rd Party Contact Notice sent	(Date IRS received) - Illegible signature.	No response.
Certified Letter	Initial Report		No response

As demonstrated on **Exhibit A**, the _____ has failed to meaningfully respond to the Internal Revenue Service's correspondence requests for information pertaining to the Form _____ for the tax period ending _____

LAW:

501(c)(8)
— Fraternal beneficiary societies, orders, or associations—
501(c)(8)(A)

Form 886-A (May 2017)	Department of the Treasury – Internal Revenue Service Explanations of Items	Schedule number or exhibit
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— operating under the lodge system or for the exclusive benefit of the members of a fraternity itself operating under the lodge system, and 501(c)(8)(B)
 — providing for the payment of life, sick, accident, or other benefits to the members of such society, order, or association or their dependents.

Reg. 1.501(c)(8)-1 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.

IRC § 6001 provides that every person liable for any tax imposed by the IRC, or for the collection thereof, shall keep adequate records as the Secretary of the Treasury or his delegate may from time to time prescribe. Whenever necessary, the Secretary may require any person, by notice served upon that person or by regulations, to make such returns, render such statements, or keep such records, as the Secretary deems sufficient to show whether or not that person is liable for tax.

Treas. Reg. § 1.6001-1(a) in conjunction with **Treas. Reg. § 1.6001-1(c)** provides that every organization exempt from tax under **IRC § 501(a)** and subject to the tax imposed by **IRC § 511** on its unrelated business income must keep such permanent books or accounts or records, including inventories, as are sufficient to establish the amount of gross income, deduction, receipts, disbursements, or other matters required to be shown by such person in any return of such tax. Such organization shall also keep such books and records as are required to substantiate the information required by **IRC § 6033**.

Treas. Reg. § 1.6001-1(e) states that the books or records required by this section shall be kept at all times available for inspection by authorized internal revenue officers or employees and shall be retained as long as the contents thereof may be material in the administration of any internal revenue law.

IRC § 6033(a)(1) provides, except as provided in paragraph (3), every organization exempt from tax under section 501 (a) shall file an annual return, stating specifically the items of gross income, receipts and disbursements, and such other information for the purposes of carrying out the internal revenue laws as the Secretary may by forms or regulations prescribe, and keep such records, render under oath such statements, make such other returns, and comply with such rules and regulations as the Secretary may from time to time prescribe.

Treas. Reg. § 1.6033-1(h)(2) provides that every organization which has established its right to exemption from tax, whether or not it is required to file an annual return of information, shall submit such additional information as may be required by the district director for the purpose of

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enabling him to inquire further into its exempt status and to administer the provisions of subchapter F (section 501 and the following), chapter 1 of the Code and IRC § 6033.

Rev. Rul. 59-95, 1959-1 C.B. 627, concerns an exempt organization that was requested to produce a financial statement and statement of its operations for a certain year. However, its records were so incomplete that the Organization was unable to furnish such statements. The Service held that the failure or inability to file the required information return or otherwise to comply with the provisions of IRC § 6033 and the regulations which implement it, may result in the termination of the exempt status of an organization previously held exempt, on the grounds that the organization has not established that it is observing the conditions required for the continuation of exempt status.

TAXPAYER'S POSITION:

Due to the lack of response, the _____ position is unknown. No formal position has been provided by the _____

GOVERNMENT'S POSITION:

In accordance with the above cited provisions of the Code and regulations under IRC §§ 6001 and 6033, organizations recognized as exempt from federal income tax must meet certain reporting requirements. These requirements relate to the filing of a complete and accurate annual information return (and other required federal tax forms) and the retention of records sufficient to determine whether such entity is operated for the purposes for which it was granted tax-exempt status and to determine its liability for any unrelated business income tax.

The _____ has been contacted on numerous occasions both verbally and in writing. The _____ had replied sporadically with incomplete responses. However, as of _____, the _____ has ceased communication with the Government. Repeated attempts to contact the _____ have gone unanswered. With the latest attempt being made on _____, with the issuance of the Initial Report. The _____ again provided no response by the due date. As such, the Government has been unable to conduct or determine the following:

- Organizational status as that of a 501(c)(8) Fraternal Beneficiary Society/Association
- Initial interview to determine if the activities performed by _____ are those of a 501(c)(8) exempt organization
- The _____ gaming and bar operations and related income and expenses
- The _____ financial position

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Hence, the Government cannot make a determination as to the _____ operations and activities are that of a 501(c)(8); existence of any applicable tax liabilities; and as to whether any other information return filings are required.

Due to the _____ failure to meaningfully respond and provide information, the _____ has not established that it is observing the conditions required for the continuation of its exempt status. The _____ has not established that it is organized and operated exclusively for an exempt purpose.

CONCLUSION:

It is the IRS' position that the _____ failed to establish that it meets the reporting requirements under IRC §§ 6001 and 6033 to be recognized as exempt from federal income tax under IRC § 501 (c)(8). Furthermore, the _____ has not established that it is observing the conditions required for the continuation of its exempt status or that it is organized and operated exclusively for an exempt purpose. Accordingly, the _____ is hereby removed from the group exemption effective _____.