



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

[REDACTED]

Release Number: 202643016
Release Date: 10/23/26
UIL Code: 501.19-00

Date:

Taxpayer ID number (last 4 digits):

Form:

Tax periods ended:

Person to contact:

Last day to file petition with United States
Tax Court:

CERTIFIED MAIL - Return Receipt Requested

Dear [REDACTED]

Why we are sending you this letter

This is a 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)(19), for the tax period 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 organization described in IRC Section 501(c)(19), and that you meet both the membership and the operational requirements under this code section. You have exceeded the membership requirement of 75-percent of current/former military service members (war veterans).

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 **IRS.gov**.

What you must do if you disagree with this determination

If you want to contest our final determination, you have 90 days from the date this determination letter was mailed to you to file a petition or complaint in one of the three federal courts listed below.

How to file your action for declaratory judgment

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

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

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

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.

The IRS office whose phone number appears at the top of the notice can best address and access your tax information and help get you answers. However, you may be eligible for free help from the Taxpayer Advocate Service (TAS) if you can't resolve your tax problem with the IRS or if you believe an IRS procedure just isn't working as it should. TAS is an independent organization within the IRS that helps taxpayers and protects taxpayer rights. Visit **TaxpayerAdvocate.IRS.gov/contact-us** or call 877-777-4778 (TTY/TDD 800-829-4059) to find the location and phone number of your local advocate. Learn more about TAS and your rights under the Taxpayer Bill of Rights at **TaxpayerAdvocate.IRS.gov**. Do not send your Tax Court petition to TAS. Use the Tax Court address provided earlier in the letter. Contacting TAS does not extend the time to file a petition.

Where you can find more information

Enclosed are Publication 1, Your Rights as a Taxpayer, and Publication 594, The IRS Collection Process, for more comprehensive information.

Find tax forms or publications by visiting **IRS.gov/forms** or calling 800-TAX-FORM (800-829-3676). If you have questions, you can call the person shown at the top of this letter.

If you prefer to write, use the address shown at the top of this letter. Include your telephone number, the best time to call, and a copy of this letter.

You may fax your documents to the fax number shown above, using either a fax machine or online fax service. Protect yourself when sending digital data by understanding the fax service's privacy and security policies.

Keep the original letter for your records.

Sincerely,

A black rectangular redaction box covering the signature area.

Lynn A. Brinkley
Director, Exempt Organizations Examinations

Enclosures:
Publication 1
Publication 594
Publication 892



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



Date:



Taxpayer ID number:



Form:



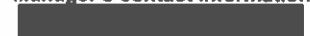
Tax periods ended:



Person to contact:



Manager's contact information:



Response due date:



CERTIFIED MAIL – Return Receipt Requested

Dear [REDACTED]:

Why you're receiving this letter

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.

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,

A black rectangular redaction box covering the signature of the official.

For
For Lynn Brinkley
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

ISSUE:

Does [REDACTED] 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:

[REDACTED] ([REDACTED] hereafter) is an exempt organization under section 501(c)(19). [REDACTED] is in [REDACTED] was covered under a group ruling issued to [REDACTED]. [REDACTED] has been welcoming Veterans from all branches of our Armed Forces since [REDACTED] stated that it continues to welcome all military personnel serving our country. [REDACTED] states that it enables members to continue serving our God, Country and Community. [REDACTED]'s mission is to implement the goals, aspirations, dreams, peace and blessings for our country, friends and families.

The Constitution and By-laws of [REDACTED] section 1 of Article 3, Limits the membership to those who were a member of the Army, Navy, Air Force, or the Marine Corps of the United States and were assigned to active duty at some time during the following periods: April 6, 1917 to November 11, 1918; December 7, 1941 to December 31, 1946; June 25, 1950 to January 31, 1955; December 22, 1961 to May 7, 1975; August 24, 1982 to July 31, 1984; December 20, 1989 to January 31, 1990; August 2, 1990 to the cessation of hostilities as determined by government of the United States and was honorably discharged or separated from that service or continues to serve honorably during or after that period of time. [REDACTED] does not consider any other individuals except qualified members of [REDACTED] for purposes of computing membership. It does not receive any dues from anyone other than qualified [REDACTED] members.

[REDACTED] has filed Form [REDACTED] for the period of [REDACTED], through [REDACTED]

The primary purpose of [REDACTED] was to uphold and defend the Constitution of the United States of America, to maintain law and order; to foster and perpetuate a one hundred percent Americanism, to preserve the memories and incidents of our associations in the Great Wars, to inculcate a sense of individual obligation to the community, state and nation, to combat the autocracy of both the classes and the masses, to make right the master of might, to promote peace and good will on earth, to safeguard and transmit to posterity the principles of justice, freedom and democracy, and to consecrate and sanctify comradeship by devotion to mutual helpfulness.

The organization states that [REDACTED] helps veterans with training and provides information on how to obtain Veteran's Administration benefits. [REDACTED] donates proceeds from their gaming income to local charities.

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offers members Beer, Liquor, and non-alcoholic beverages, and food to patrons of the organization. Exhibit #1 and Exhibit#2 are ads that is open to the public.

offers its guest to purchase gaming pull tabs and to participate in the electronic gaming machines from. noted that they received \$ in income from these two activities in the year under review period.

has the following membership categories:

- Veterans — properly limited to current and honorably discharged members of the Armed Services. According to the organization's membership records, for the year ended there were a total of veterans who were members.
- Social Members — All other adult members of the who are not veterans are considered social members. According to the organization's membership records, for the year ended there were a total of non-veterans who were social members. These members did not meet the military service requirements. These members did not meet the family / relationship requirements. These social members had no affiliated military service. stated that Social Members are usually friends from the veterans.

had veteran members and social members for the periods of through .

is located at building has a video gaming room, a dining room, a bar, a kitchen, and a rental area downstairs below the bar.

stated during the interview that the facility is open to the public for special events. advertising states that they are open to the public. (See Exhibit #1 and Exhibit #2) There was no separation between non-member income and member income. No records were kept to separate member and nonmember income.

The Agent examined 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, financial statements, invoices; bank statements; and payroll reports. The organization reported a loss of \$ for the audit period.

LAW:

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

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(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 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.

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 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 to so qualify.

(2) In addition, an auxiliary unit or society described in paragraph (d) of this section of such a veteran's 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,

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- (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.

An organization's failure or inability to file required information returns or otherwise to comply with the provisions of I.R.C. § 6033 and the regulations which implement it, may result in the termination of the organization's exempt status based on the grounds that the organization has not established that it is observing the conditions that are required for the continuation of its exempt status. See Rev. Rul. 59-95. These conditions require 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 the organization is operated for the purposes for which it was granted tax-exempt status and to determine its liability for any unrelated business income tax.

For purposes of determining which expenses are deductible, Treas. Reg. § 1.512(a)-1(a) defines the term "directly connected" deduction as an item of deduction that has a proximate and primary relationship to the carrying on of that business".

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 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, donations 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).

A 501(c)(19) failing the 97.5% veteran membership test doesn't qualify the organization for exemption under I.R.C. §501(c)(19). The organization's primary purpose is to provide benefits to veterans, assist the community by helping veterans with training and information on how to obtain Veteran's Administration benefits and donating proceeds from their gaming income to local organizations. However, [REDACTED] operates a bar that doesn't limit membership to past and

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present members of the military. After inspecting Organization's books and records, Organization failed the regulatory membership test under Treas. Reg. §1.501(c)(19)-1(a).

The Agent conducted a membership test using Veteran's membership roster. 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, 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).

The agent requested membership information from [REDACTED] provided documents that separated the social and veteran members of the organization (See Exhibit #3). According to [REDACTED] membership records, for the year ended [REDACTED] there was a total of [REDACTED] members. There were [REDACTED] members meeting the military service requirements; which represents [REDACTED] percent of the total members; significantly less than the required 75-percent limit in the Code. There were [REDACTED] members meeting the family / relationship requirements; which represents [REDACTED] percent of the total members; significantly less than the required 22.5-percent limit in the Code. [REDACTED] provided documentation that there were [REDACTED] social members who have had no affiliated military service which represents [REDACTED] percent of the total members; significantly more than the 2.5-percent limit in the Code.

The below chart shows the result of the membership test provided by the organization.



[REDACTED] did not meet their Active Membership percentage of 75 percent.

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

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

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 veteran's organization may enroll and still maintain its exempt status. In determining whether 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 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 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 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 veteran's organization it does not qualify for exemption under Section 501(c)(19) of the Code.

CONCLUSION:

has established that it was covered under the group ruling under Internal Revenue Code Section 501(c)(19) that was issued to. 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. does not meet the membership

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requirements stated in Treas. Reg. § 1.501(c)(19)-1(b). Therefore, the organization does not meet the requirements for qualification. Even though the [REDACTED] 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 [REDACTED] 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).

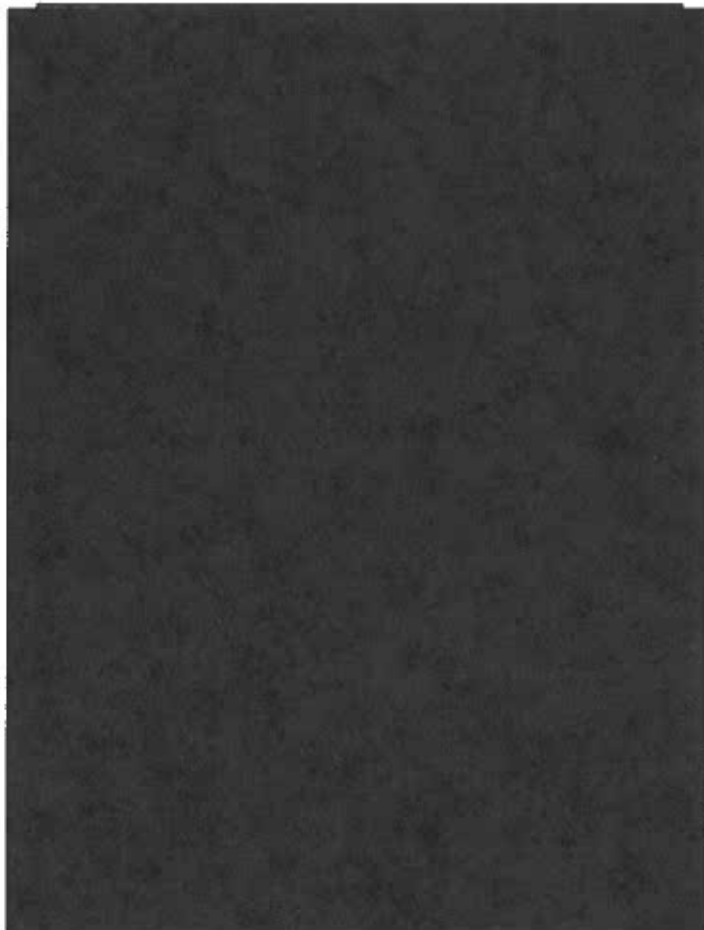
It is the Government's position that [REDACTED]'s tax-exempt status under section 501(c)(19) of the Internal Revenue Code should be revoked effective [REDACTED] [REDACTED] [REDACTED]

Return the signed attached documents to the address below.

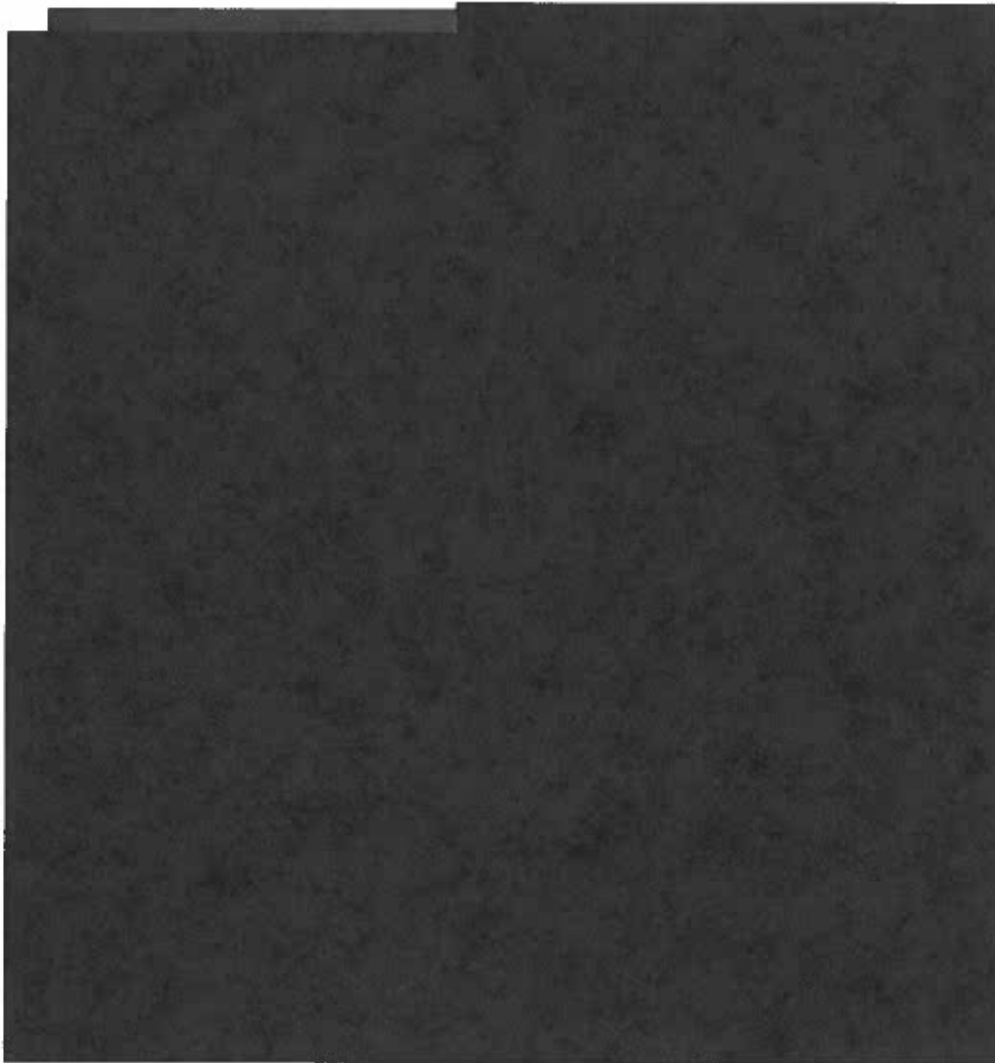
Department of the Treasury
Internal Revenue Service
Tax Exempt and Government Entities
Exempt Organizations Examinations

Attn: [REDACTED]

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Name of taxpayer

Tax Identification Number (last 4 digits)

Year/Period ended	
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Catalog Number 20810W