

200808039



DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
TE/GE: EO Examination
625 Fulton Street, Room 503
Brooklyn, NY 11201

TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

Release Date: 2/22/08

November 13, 2007
UIL: 501.08-01

Legend
ORG = Organization name

Address = address XX = Date

ORG
Address

Taxpayer Identification Number:
Tax Year(s) Ended:
Person to Contact/ID Number:
Contact Numbers:
Telephone:
Fax:

CERTIFIED MAIL – RETURN RECEIPT REQUESTED

Dear :

This is a final determination regarding your exempt status under section 501(c)(8) of the Internal Revenue Code (IRC). Recognition of your exemption from Federal income tax as an organization described in Internal Revenue Code section 501(c)(8) is retroactively revoked to January 1, 20XX because it is determined that you have not established that you are observing the conditions required for the continuation of an exempt status.

We previously mailed you a report explaining our proposed revocation of your tax-exempt status. In that correspondence, we requested that you respond to the report within 30 days from the date of the letter accompanying the report.

Because we did not hear from you within that 30 day period, we will process your case on the basis of the recommendations shown in the report.

We have determined that you fail to qualify for exempt status under any other subsection of IRC 501(c).

You are required to file Federal income tax returns on Form 1120. These returns should be filed with the appropriate Service Center for all years beginning January 1, 20XX.

You have the right to contact the office of the Taxpayer Advocate. Taxpayer Advocate assistance is not a substitute for established IRS procedures, such as the formal appeals process. The Taxpayer Advocate 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. The Taxpayer Advocate can, however, see that a tax matter that may not have been resolved through normal channels gets prompt and proper handling. You may call toll-free, 1-877-777-4778, and ask for Taxpayer Advocate Assistance. If you prefer, you may contact your local Taxpayer Advocate at:

If you have any questions, please call the contact person at the telephone number shown in the heading of this letter.

Thank you for your cooperation.

Sincerely,

Marsha A. Ramirez
Director, EO Examinations

Form 886A	Department of the Treasury - Internal Revenue Service	Schedule No. or Exhibit
Explanation of Items		
Name of Taxpayer ORG		Year/Period Ended 20XX12 & 20XX12

Legend

ORG = Organization name

Address = address

XX = Date

Motto = motto

ISSUES

1. Whether the tax-exempt status of a 501 (c) (8) organization that does not provide benefits and does not have a system in place to pay out benefits to its members be revoked?

FACTS

The subject organization is recognized as a section 501(c) (8) tax-exempt organization. Corporation is under Group Exemption 0188, ORG. They manage motto to members and non-members, hall rental to members for private parties and hall rental to non-members for other special events. They also provided gaming activities to members and are opened to the general public. They don't have a plan that offers any type of benefit to members and don't have a system in place to pay out benefits to member dependents for life, sick, accident, or other benefits. They have two committees. One committee is responsible for handling all affairs associated with rental activities and another committee is responsible for handling all catering and activities. Both committees report directly to officers of the ORG. Two committees have obtained EIN's and filed Articles of Incorporation with The Secretary of State. The Buildings primary purpose is to maintain the club rooms and related facilities and The Clubs primary activity is to operate the and catering for the ORG. ORG'S primary purpose is to manage and oversee The Club and The Building committee activities which are located within the . ORG will make sure that responsible committees have all necessary services required for game nights for members and the general public. This includes having drinks and food for guest and members. Facilities need to be cleaned and safe for guest and members.

The organization also provides grants to charitable organizations. Organization is more involved in managing The Club and The Building. They provide the with a bi-annual financial report.

LAW

Section 501(c)(8) of the Code provides for the recognition of exemption of fraternal beneficiary societies, orders, or associations--

A) Operating under the lodge system or for the exclusive benefit of the members of a fraternity itself operating under the lodge system, and

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B) providing for the payment of life, sick, accident, or other benefits to the members of such society, order, or association or their dependents.

Section 1.501(c)(8)-1(a) of the Income Tax Regulations 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 under section 501(c)(8) 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 benefit

Revenue Ruling 73-165, 1973-1 CB 224, (Jan. 01, 1973), Fraternal beneficiary societies. A fraternal beneficiary society operating under the lodge system and providing for member benefit payments may qualify for exemption under section 501(c)(8) of the Code regardless of whether the fraternal or the insurance features predominate, as long as both features are present; I.T. 1516 superseded.

The purpose of this Revenue Ruling is to update and restate under the current statute and regulations the position set forth in I.T. 1516, I-2 C.B. 180 (1922). It relates to whether the organization described below is exempt from Federal income tax under section 501(c)(8) of the Internal Revenue Code of 1954 as a fraternal beneficiary society.

Although this organization carries on fraternal activities, operates under the lodge system, and provides for the payment of life, sick, accident, and other benefits to its members and their dependents, the predominant activity of the organization is the maintenance of an insurance program that provides payments of life, sick, accident, and other benefits.

A fraternal beneficiary society, order, or association exempt under section 501(c)(8) is accordingly one that, in addition to being operated in furtherance of fraternal purposes, (1) is so operated under the lodge system or for the exclusive benefit of the members of a fraternity that is so operated under the lodge system, and (2) has an established system for the payment to its members or their dependents of life, sick, accident, or other benefits. There is no requirement that either the fraternal features or the insurance features predominate so long as both features are present.

I.T. 1516 is hereby superseded since the position set forth therein is restated under current law in this Revenue Ruling.

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TAXPAYER POSITION

Organization does not agree with proposed revocation. Has no basis to support their position but would like to see report first in order to state their position.

GOVERNMENT'S POSITION

Based on the facts of the examination, the organization does not qualify for exemption since they have no form of benefits available for its members and no system for payment of any type of benefit in place. Also their primary purpose is to manage The Building and The Club. They also spend a great deal of time conducting gaming activities with members and they are also opened to the general public.

CONCLUSION

Based on the foregoing reasons, the organization does not qualify for exemption under section 501(c) (8) and its tax exempt status should be revoke. ORG will be required to file Form 1120 for years 20XX12 and for subsequent years. As a 501 (c) (8) their primary activity is managing The Club and The Building.

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TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

DEPARTMENT OF THE TREASURY
Internal Revenue Service
TE/GE MC:4929-CHI Suite 1720
230 S Dearborn St
Chicago, IL 60604

ORG
Address

Taxpayer Identification Number:

Form:

Tax Year(s) Ended:

Person to Contact/ID Number:

Contact Numbers:

Telephone:

Fax:

CERTIFIED MAIL – RETURN RECEIPT REQUESTED

Dear

We have enclosed a copy of our report of examination explaining why we believe an adjustment of your organization's exempt status is necessary.

If you do not agree with our position you may appeal your case. The enclosed Publication 3498, *The Examination Process*, explains how to appeal an Internal Revenue Service (IRS) decision. Publication 3498 also includes information on your rights as a taxpayer and the IRS collection process.

If you request a conference, we will forward your written statement of protest to the Appeals Office and they will contact you. For your convenience, an envelope is enclosed.

If you and Appeals do not agree on some or all of the issues after your Appeals conference, or if you do not request an Appeals conference, you may file suit in United States Tax Court, the United States Court of Federal Claims, or United States District Court, after satisfying procedural and jurisdictional requirements as described in Publication 3498.

You may also request that we refer this matter for technical advice as explained in Publication 892, *Exempt Organization Appeal Procedures for Unagreed Issues*. If a determination letter is issued to you based on technical advice, no further administrative appeal is available to you within the IRS on the issue that was the subject of the technical advice.

If you accept our findings, please sign and return the enclosed Form 6018, *Consent to Proposed Adverse Action*. We will then send you a final letter modifying or revoking exempt status. If we do not hear from you within 30 days from the date of this letter, we will process your case on the basis of the recommendations shown in the report of examination and this letter will become final. In that event, you will be required to file Federal income tax returns for the tax period(s) shown above. File these returns with the Ogden Service Center within 60 days from the date of this letter, unless a request for an extension of time is granted. File returns for later tax years with the appropriate service center indicated in the instructions for those returns.

You have the right to contact the office of the Taxpayer Advocate. Taxpayer Advocate assistance is not a substitute for established IRS procedures, such as the formal appeals process. The Taxpayer Advocate 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. The Taxpayer Advocate can, however, see that a tax matter that may not have been resolved through normal channels gets prompt and proper handling. You may call toll-free 1-877-777-4778 and ask for Taxpayer Advocate Assistance. If you prefer, you may contact your local Taxpayer Advocate at:

If you have any questions, please call the contact person at the telephone number shown in the heading of this letter. If you write, please provide a telephone number and the most convenient time to call if we need to contact you.

Thank you for your cooperation.

Sincerely,

Marsha A. Ramirez,
Director, EO Examinations

Enclosures:
Publication 892
Publication 3498
Form 6018
Report of Examination
Envelope