



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

Date: June 17, 2021

Taxpayer ID number:

Form:

Tax periods ended:

Person to contact:

Name:

ID number:

Telephone:

Fax:

Release Number: 202239015

Release Date: 9/30/2022

UIL Code: 501.08-00

**CERTIFIED MAIL - RETURN RECEIPT REQUESTED**

Dear :

**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)(8), for the tax periods above. Your determination letter dated , is revoked.

Our adverse determination as to your exempt status was made for the following reasons:

Under IRC Sections 6001, 6033(a)(1) and associated regulations, and under Rev. Rul. 59-95, 1959-1 C.B. 627, your organization is required to file complete and accurate annual information (and other required federal tax forms), to retain records sufficient to determine whether you have been operating in accordance with the requirements for organizations exempt under IRC Section 501(c)(8), and to provide these records to the Service upon reasonable request. You have failed to respond or to show that you comply with these requirements. Therefore, we are revoking your tax exempt status under IRC Section 501(c)(8) for your tax year ending

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 [www.irs.gov](http://www.irs.gov).

Contributions to your organization are no longer deductible under IRC Section 170.

**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 may file an action for declaratory judgment under the provisions of IRC Section 7428 in one of the following three venues: 1) United States Tax Court, 2) the United States Court of Federal Claims or 3) the United States District Court for the District of Columbia.

Please contact the clerk of the appropriate court for rules and the appropriate forms for filing an action for declaratory judgment by referring to the enclosed Publication 892, How to Appeal an IRS Determination on Tax-Exempt Status. You may write to the courts at the following addresses:

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

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

U.S. District Court for the District of Columbia  
333 Constitution Ave., N.W.  
Washington, DC 20001

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.

**Information about the IRS Taxpayer Advocate Service**

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 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. Contact your local Taxpayer Advocate Office at:

Internal Revenue Service  
Taxpayer Advocate Office

Or call TAS at 877-777-4778. For more information about TAS and your rights under the Taxpayer Bill of Rights, go to [taxpayeradvocate.irs.gov](http://taxpayeradvocate.irs.gov). Do not send your federal court pleading to the TAS address listed above. Use the applicable federal court address provided earlier in the letter. Contacting TAS does not extend the time to file an action for declaratory judgment.

**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.

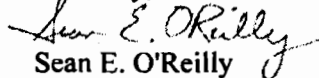
Find tax forms or publications by visiting [www.irs.gov/forms](http://www.irs.gov/forms) or calling 800-TAX-FORM (800-829-3676).

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.

Keep the original letter for your records.

Sincerely,



Sean E. O'Reilly

Director, Exempt Organizations Examinations

**Enclosures:**

Publication 1  
Publication 594  
Publication 892



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

**Date:**  
10/16/2020  
**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:**  
11/16/2020

**CERTIFIED MAIL – Return Receipt Requested**

Dear :

**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)(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](http://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](http://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,

Christopher M. Holmes

Digitally signed by Christopher M. Holmes  
Date: 2020.10.15 14:56:21 -0700

*for* Sean O'Reilly

Director, O Examinations

Enclosures:  
Form 886-A  
Form 6018

Form <b>886-A</b>	<b>EXPLANATIONS OF ITEMS</b>	Schedule number or exhibit
Name of taxpayer	Tax Identification Number	Year/Period ended

### ISSUE

Whether \_\_\_\_\_ ("Organization") located in \_\_\_\_\_ continues to qualify for exemption under Internal Revenue Code (IRC) section 501(c)(8)?

### FACTS

The Organization is a \_\_\_\_\_ nonprofit corporation formed in \_\_\_\_\_. Organization received a determination letter from the Internal Revenue Service (IRS) in \_\_\_\_\_ that it was tax-exempt as an organization described in IRC § 501(c)(8) as a \_\_\_\_\_ beneficiary society, order, or association. The organization conducted its operations out of \_\_\_\_\_.

The Organization filed a Form \_\_\_\_\_, *Return of Organization Exempt from Income Tax* for the tax year ending \_\_\_\_\_. The exempt purpose for the organization as stated on the Form \_\_\_\_\_ was "Serving charities in the local community as well as national charities through donations and community Outreach."

The Statement of Revenue on Form \_\_\_\_\_ showed total revenue of \$ \_\_\_\_\_, related revenue of \$ \_\_\_\_\_ and Unrelated Business Income (UBI) of \$ \_\_\_\_\_, comprised of investment, rental, and gaming income etc. as of \_\_\_\_\_, including:

- \$ \_\_\_\_\_ in membership dues
- \$ \_\_\_\_\_ in investment income
- \$ \_\_\_\_\_ in rental income
- \$ \_\_\_\_\_ in fundraising income
- \$ \_\_\_\_\_ in gaming income
- \$ \_\_\_\_\_ in sales of inventory

The Statement of Expenses on Form \_\_\_\_\_ showed total expenses of \$ \_\_\_\_\_, program service expenses of \$ \_\_\_\_\_ and management and general expense of \$ \_\_\_\_\_, comprised of advertising, wages, occupancies expenses etc. as of \_\_\_\_\_, including:

- \$ \_\_\_\_\_ in grant and other assistance to domestic organization
- \$ \_\_\_\_\_ in benefit paid for members
- \$ \_\_\_\_\_ in officer compensation
- \$ \_\_\_\_\_ in other salary and wages
- \$ \_\_\_\_\_ in payroll tax expense
- \$ \_\_\_\_\_ in occupancy expense
- \$ \_\_\_\_\_ in insurance expense
- \$ \_\_\_\_\_ bank merchant fees

Initial information from Organization's Form \_\_\_\_\_ indicates that there are multiple instances of activities that may not be in compliance with the requirements of non-exempt organizations. The initial information obtained indicated the following concerns regarding Organization's continued operation as a section 501(c)(8) organization:

Form 886-A	<b>EXPLANATIONS OF ITEMS</b>	Schedule number or exhibit
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1. Organization reported over % of income from gaming activities but did not file Form for its Unrelated Business Income (UBI).
2. Organization reported that it paid wages and has employees but did not file any Form
3. Organization reported non-employee compensation but did not file Form
4. Organization has significant revenue from "sales of inventory", but it is unclear whether these sales are limited to members or are open to the public.

On , the IRS commenced an examination for the period ended by issuing a customized cover letter and Information Document Request Number 1 ("IDR-1") to the Organization's address on file in . The IDR-1 requested the following documents and information.

- Minute books, including committees, from through the current date
- Publications, e.g., newsletters, flyers, and membership brochures
- Rental contracts
- Bank statements and cancelled checks
- Accounting Records
  - Chart of Accounts
  - Ledger
  - Cash receipts and disbursements journal
  - Workpaper reconciling your books and records to the Form
- Federal employment tax returns
  - Forms
  - Employee earning records, Forms
  - Forms
  - Forms

The IRS did not receive a response to IDR 1.

On , the assigned agent called the Organization by the phone number listed on its Form return and spoke with , who stated was the Organization's Secretary and accountant who volunteered to take care of Organization's books ( ). stated that had not received the initial examination letter and IDR-1 and could only meet with the assigned agent after on and because has another day job. The assigned agent advised that the audit could be conducted via correspondence. The agent also faxed a copy of initial letter 3611 and IDR-1 again at request.

On the assigned agent spoke with and scheduled a phone call with to discuss IDR-1 on

Form 886-A	<b>EXPLANATIONS OF ITEMS</b>	Schedule number or exhibit
Name of taxpayer	Tax Identification Number	Year/Period ended

On \_\_\_\_\_, the agent called \_\_\_\_\_ at the scheduled phone appointment time but could not reach \_\_\_\_\_.

On \_\_\_\_\_, \_\_\_\_\_ called back and stated that \_\_\_\_\_ did not have any questions on IDR-1 at that time and planned to respond to the requests in a week.

On \_\_\_\_\_, the agent left a message with \_\_\_\_\_ stating that no response had been received and requesting a response.

On \_\_\_\_\_, there was still no response to IDR-1. The agent left a message with \_\_\_\_\_ requesting a response. The assigned agent prepared Letter 5077-B, *TE/GE IDR Delinquency Notice* and sent to EO via certified mail. The response date was set for \_\_\_\_\_.

On \_\_\_\_\_, the agent received the certified mail return receipt for Letter 5077B signed by \_\_\_\_\_ who is listed as Organization's Vice President on its Form \_\_\_\_\_.

On \_\_\_\_\_, the agent still had not received any responses back from the Organization, so a call was made to Organization's main office. The agent was informed by the person on the call that \_\_\_\_\_ was no longer representing Organization. Instead, Organization had a new secretary, \_\_\_\_\_. The assigned agent spoke with \_\_\_\_\_ who stated \_\_\_\_\_ was the new Secretary as well as at Trustee of Organization. \_\_\_\_\_ stated that \_\_\_\_\_ told \_\_\_\_\_ a response to the agent had already been sent. The agent confirmed the fax number and advised \_\_\_\_\_ that no faxes were received, and that \_\_\_\_\_ had stopped responding to the agent's phone calls. \_\_\_\_\_ stated that \_\_\_\_\_ would work with the assigned agent to provide the documents requested. The agent went over the list of items requested on IDR-1 and the audit procedures with \_\_\_\_\_, who agreed to respond no later than \_\_\_\_\_.

On \_\_\_\_\_, the agent called \_\_\_\_\_ to follow up on the response, but no one answered the call.

On \_\_\_\_\_, the agent left a message with \_\_\_\_\_.

On \_\_\_\_\_, \_\_\_\_\_ left a message stating the response had been sent.

On \_\_\_\_\_, the agent received \_\_\_\_\_ envelopes from \_\_\_\_\_. The documents and records sent were an incomplete response to the items requested on IDR-1.

On \_\_\_\_\_, the agent left a message with \_\_\_\_\_, requesting a call back.

On \_\_\_\_\_, the assigned agent spoke with \_\_\_\_\_ by telephone. \_\_\_\_\_ stated that \_\_\_\_\_ is a volunteer, had to work another full-time job, and only comes into office after \_\_\_\_\_ on \_\_\_\_\_ and \_\_\_\_\_ also stated that Organization's records are not as organized as they should be. \_\_\_\_\_ to file some missing State tax returns. Also, the Organization's employment tax returns were not filed or were not filed correctly. The agent explained to \_\_\_\_\_ that the documents received were not a complete response to IDR-1 in that there was no General Ledger, Board Minutes or other accounting records, only copies of tax returns. The agent sent another copy of the initial contact letter 3611, *EO Initial Appointment - No Prior Contact*, IDR-1, and Publication 1, *Your Rights as a Taxpayer*, again at \_\_\_\_\_ request. The agent further advised \_\_\_\_\_ that the examination would need to be \_\_\_\_\_.

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conducted via field visit to better assist Organization in understanding what records were needed to conduct the audit.

On \_\_\_\_\_, the agent confirmed by telephone a field appointment with \_\_\_\_\_ for \_\_\_\_\_ and \_\_\_\_\_ at Organization's address in \_\_\_\_\_.

On \_\_\_\_\_, the agent called \_\_\_\_\_ to confirm the field appointment for \_\_\_\_\_ and \_\_\_\_\_ did not answer the call. The agent called Organization's direct number but was advised that \_\_\_\_\_ had resigned, and \_\_\_\_\_ was back to as Organization's secretary. The assigned agent was informed that \_\_\_\_\_ was the only person able to respond to the audit requests on behalf of Organization. The agent left a message at that time for \_\_\_\_\_ to call back.

On \_\_\_\_\_, \_\_\_\_\_ left a message stating that \_\_\_\_\_ would not be available to attend the field appointment originally scheduled by the assigned agent for \_\_\_\_\_ and \_\_\_\_\_.

On \_\_\_\_\_, the agent left a message with \_\_\_\_\_ requesting to reschedule the field audit appointment.

On \_\_\_\_\_, the agent prepared and issued Letter 5798, TE/GE Information Document Request Extension Notice, which provided Organization until \_\_\_\_\_ to respond to IDR-1.

On \_\_\_\_\_, the agent took one last measure to advise the Organization. He prepared and issued a letter advising the Organization of the risk of revocation absent its cooperation in providing the requested documentation as required.

As of \_\_\_\_\_, no responses have been received from Organization.

On \_\_\_\_\_, the agent prepared and issued via certified mail, letter 3618 (30-day Letter), *Proposed Revocation of Exempt Status under IRC section 501(c)(3)*, with Form 886-A, *Explanation of Items*, & Form 6018, *Consent to Proposed Action*. The Organization is requested to respond by \_\_\_\_\_.

As of \_\_\_\_\_, no responses have been received from the Organization.

### LAW

IRC § 501(c)(8) Fraternal beneficiary societies, orders, or associations exempts from Federal income tax corporations, - (A) operating under the lodge system or for the exclusive benefit of the members 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.

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.

IRC § 6033(a)(1) provides, except as provided in IRC § 6033(a)(2), every organization exempt from tax under § 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. The



Form <b>886-A</b>	<b>EXPLANATIONS OF ITEMS</b>	Schedule number or exhibit
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Secretary may also prescribe by forms or regulations the requirement of every organization to 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. § 1.6001-1(c) states that in addition to such permanent books and records as are required by paragraph (a) of this section with respect to the tax imposed by section 511 on unrelated business income of certain exempt organizations, every organization exempt from tax under section 501(a) shall keep such permanent books of account or records, including inventories, as are sufficient to show specifically the items of gross income, receipts and disbursements. Such organizations shall also keep such books and records as are required to substantiate the information required by section 6033. See section 6033 and §§1.6033-1 through -3.

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 Service officers or employees and shall be retained as long as the contents thereof may be material in the administration of any Internal Revenue law.

Treas. Reg. § 1.6033-1(h)(2) provides that every organization that 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 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.

Revenue Ruling 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 IRS 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

The taxpayer's position is unknown at this time.

#### 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 and recordkeeping requirements. These requirements relate to the filing of a complete and accurate annual information (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.

EO has failed to show that they meet the operational test for a § 501(c)(8) organization for the year under examination