



Department of the Treasury  
Internal Revenue Service  
Tax Exempt and Government Entities  
P.O. Box 2508  
Cincinnati, OH 45201

Date:  
01/23/2023  
Employer ID number:

Form you must file:

Tax years:

Person to contact:

Number: **202316012**  
Release Date: 4/21/2023

**UIL: 501.10-00**

Dear :

This letter is our 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)(10). Recently, we sent you a proposed adverse determination in response to your application. The proposed adverse determination explained the facts, law, and basis for our conclusion, and it gave you 30 days to file a protest. Because we didn't receive a protest within the required 30 days, the proposed determination is now final.

You must file the federal income tax forms for the tax years shown above within **30 days** from the date of this letter unless you request an extension of time to file. For further instructions, forms, and information, visit [www.irs.gov](http://www.irs.gov).

We'll make this final adverse determination letter and the proposed adverse determination letter available for public inspection after deleting certain identifying information, as required by IRC Section 6110. Read the enclosed Letter 437, Notice of Intention to Disclose - Rulings, and review the two attached letters that show our proposed deletions. If you disagree with our proposed deletions, follow the instructions in the Letter 437 on how to notify us. If you agree with our deletions, you don't need to take any further action.

If you have questions about this letter, you can call the contact person shown above. If you have questions about your federal income tax status and responsibilities, call our customer service number at 800-829-1040 (TTY 800-829-4933 for deaf or hard of hearing) or customer service for businesses at 800-829-4933.

Sincerely,

Stephen A. Martin  
Director, Exempt Organizations  
Rulings and Agreements

Enclosures:  
Letter 437  
Redacted Letter 4034  
Redacted Letter 4038



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

**Date:** 11/28/2022

**Employer ID number:**

**Person to contact:**

**Name:**

**ID number:**

**Telephone:**

**Legend:**

F = State of Incorporation  
B = Date of Incorporation  
C = Subordinate Lodge  
D = Parent Lodge  
E = Fraternal Basis

**UIL:**

501.10-00

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

**Facts**

You formed as a corporation in the state of F on B. According to your application you operate under the lodge system and your only activity is to own the building now being rented by a related organization, C. You indicate C is a subordinate lodge under their parent organization, D. Your members are composed of those who are also members of C. You did not provide any evidence that you were also formed or were organized under a charter of D. All activities conducted at the facility you own are conducted by C. These activities include conducting general lodge business of C, event planning, upcoming fundraising for charitable causes and general education regarding E. Currently C is your only tenant. You have rented your facility to unrelated organizations in the past and may do so again in the future.

Your primary source of revenue is rental income provided by C. Rent amounts are determined by adding the building expenses together, with the total expenses determining the rent amount. You indicate all expenses will go toward the maintenance and upkeep of your property. These amounts are reviewed yearly at your annual meeting. Emergency repairs are done via a special assessment. All of these items are determined by your

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

members, which are also members of C, and there is no formal, written contract in place for the building rental. In the event of your dissolution and/or the dissolution of both you and C, all assets will go to D.

### **Law**

IRC Section 501(c)(10) provides for exemption of domestic fraternal societies, orders, or associations that operate under the lodge system, devote their net earnings exclusively to religious, charitable, scientific, literary, educational, and fraternal purposes, and do not provide for the payment of life, sick, accident, or other benefits.

Treasury Regulation Section 1.501(c)(8)-1(a) states 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.

Treasury Regulation Section 1.501(c)(10)-1(a) states that an organization will qualify for exemption under IRC Section 501(c)(10) if it (1) is a domestic fraternal beneficiary society order, or association, described in Section 501(c)(8) and the regulations thereunder except that it does not provide for the payment of life, sick, accident, or other benefits to its members, and (2) devotes its net earnings exclusively to religious, charitable, scientific, literary, educational, and fraternal purposes.

Revenue Ruling 81-117, 1981-1, C.B. 346 states that an organization that does not conduct any fraternal activities or operate under the lodge system but does operate exclusively for the benefit of certain related domestic fraternal societies operating under the lodge system, does not qualify for exemption under IRC Section 501(c)(10). The organization is organized and operated for the purpose of holding real estate for the use and benefit of certain related fraternal societies. Each of the related societies is described in Section 501(c)(10) and has representation on the corporation's board of trustees. The organization does not operate under the lodge system.

National Union v. Marlow, 74 F. 775 (8<sup>th</sup> Cir. 1896), defines "fraternal society" as an association or society 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. 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 aim is 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.

### **Application of law**

To meet the requirements for IRC Section 501(c)(10), an organization must be a fraternal association, operated under the lodge system, which devotes its earnings exclusively to religious, charitable, scientific, literary, educational, and fraternal purposes. While you state you operate under the lodge system, you have not provided any evidence that you are a local branch or have received a charter as a subordinate of C or D. You were formed for the purpose of owning and managing real property. Also, net earnings received from the rental use of the property are only used for the maintenance and upkeep of said property. You have not given any evidence that your net earnings are devoted to any of the purposes stated above. In addition, you are not self-governed as your members are also comprised of the members of C. Therefore, you are not operating within the requirements of IRC Section 501(c)(10). See Treas. Reg. Section 1.501(c)(8)-1(a) and Treas. Reg. Section 1.501(c)(10)-1(a).

You resemble the organization described in Rev. Rul. 81-117. You were formed to hold real estate for the use and benefit of C and to support their activities. You limit your membership to the members of C. And you also do not operate under the lodge system for the reasons previously stated. Thus, you do not qualify for exemption under Section 501(c)(10).

You do not meet the definition of a fraternal association or society as defined in National Union v. Marlow because you were only formed to own and maintain a facility for the benefit of C. Even though you and C share a membership, C is clearly the organization charged with actively meeting the definition and requirements of a fraternal association. You were not formed for the same active purpose and therefore, you do not meet the requirements of a fraternal association or society under IRC Section 501(c)(10).

### **Conclusion**

Based on the information submitted you do not qualify for exemption under IRC Section 501(c)(10). You do not meet the definition of a fraternal association or society. You have not provided any evidence that you are operating under a lodge system. You were formed to maintain a facility primarily for use by a related organization, but unlike this or any other organizations using your facility, you are not actively conducting any religious, charitable, scientific, literary, educational, or fraternal activities. Therefore, we cannot grant exemption under IRC Section 501(c)(10).

### **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](http://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](http://www.taxpayeradvocate.irs.gov) or call 877-777-4778.

Sincerely,

Stephen A. Martin  
Director, Exempt Organizations  
Rulings and Agreements