



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

Date:
02/13/2023
Employer ID number:

Form you must file:
1120

Tax years:
All

Person to contact:

Release Number: 202319021
Release Date: 5/12/2023
UIL Code: 501.03-00,
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)(3). 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.

Because you don't qualify as a tax-exempt organization under IRC Section 501(c)(3), donors generally can't deduct contributions to you under IRC Section 170.

We may notify the appropriate state officials of our determination, as required by IRC Section 6104(c), by sending them a copy of this final letter along with the proposed determination letter.

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.

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: 12/19/2022

Employer ID number:

Person to contact:

Name:

ID number:

Telephone:

Fax:

Legend:

B = Date Application Submitted

C = Date of Incorporation

D = State of Incorporation

E = Parent Organization

v members = Number of Members

x dollars = Membership Dues

UIL:

501.03-00

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

Facts

You submitted Form 1023-EZ, Streamlined Application for Recognition of Exemption Under Section 501(c)(3) of the Internal Revenue Code on B.

You attest that you were incorporated on C in the state of D. You attest that you have the necessary organizing document, that your organizing document limits your purposes to one or more exempt purposes within the meaning of the IRC Section 501(c)(3), that your organizing document does not expressly empower you to engage in activities, other than an insubstantial part, that are not in furtherance of one or more exempt purposes, and that your organizing document contains the dissolution provision required under Section 501(c)(3).

You attest that you are organized and operated exclusively to further charitable purposes. You attest that you have not conducted and will not conduct prohibited activities under IRC Section 501(c)(3). Specifically, you attest you will:

- * Refrain from supporting or opposing candidates in political campaigns in any way
- * Ensure that your net earnings do not inure in whole or in part to the benefit of private shareholders or individuals
- * Not further non-exempt purposes (such as purposes that benefit private interests) more than insubstantially
- * Not be organized or operated for the primary purpose of conducting a trade or business that is not related to your exempt purpose(s)
- * Not devote more than an insubstantial part of your activities attempting to influence legislation or, if you made a Section 501(h) election, not normally make expenditures in excess of expenditure limitations outlined in Section 501(h)
- * Not provide commercial-type insurance as a substantial part of your activities

Your application states you are a fraternal order comprised of men that imparts the never-ending lesson of morality, loyalty, and friendship. The National Taxonomy of Exempt Entities code you selected indicates that you are organized as a social club.

Detailed information was requested supplemental to the above attestations. The request included a copy of your filed Articles of Incorporation. Your corporate purpose indicates you are a fraternal order within the meaning of IRC Section 501(c)(10) for the purpose of making better men out of good men and exercising faith, hope, and charity. Upon your dissolution, assets shall be distributed for one or more exempt purposes within the meaning of section 501(c)(10) of the Internal Revenue Code, or corresponding section of any future federal tax code.

You confirm you are a fraternal order under E with approximately v to date. Your annual membership dues are x. Your activities include raising funds through membership dues, fundraiser events, and donations to help the community in charitable endeavors such as food drives and providing school supplies to children. However, your primary focus is to be a Masonic fraternal organization that promotes morality, loyalty and friendship. The objective of your members is to be good citizens by practicing the highest moral and social standards in friendship, charity and integrity. You host monthly member meetings along with some recreational and social events. Your financial data indicates the majority of your income comes from membership dues with a few small donations. You did not provide a detailed account of your expenses.

Your further indicated you were unsure of which application to complete for exemption but believe you would best fit under IRC Section 501(c)(10) based on the definition of this section.

Law

IRC Section 501(c)(3) provides for the recognition of exemption of organizations that are organized and operated exclusively for religious, educational, charitable or other purposes as specified in the statute. No part of the net earnings may inure to the benefit of any private shareholder or individual.

Treasury Regulation Section 1.501(c)(3)-1(a)(1) states that, in order to be exempt as an organization described in IRC Section 501(c)(3), an organization must be both organized and operated exclusively for one or more of

the purposes specified in such section. If an organization fails to meet either the organizational test or the operational test, it is not exempt.

Treas. Reg. Section 1.501(c)(3)-1(b)(1)(i) provides that an organization is organized exclusively for one or more exempt purposes only if its articles of organization:

- (a) Limit the purposes of such organization to one or more exempt purposes; and
- (b) Do not expressly empower the organization engage, otherwise than as an insubstantial part of its activities, in activities that in themselves are not in furtherance of one or more exempt purposes.

Treas. Reg. Section 1.501(c)(3)-1(b)(4) holds that an organization is not organized exclusively for one or more exempt purposes unless its assets are dedicated to an exempt purpose. An organization's assets will be considered dedicated to an exempt purpose, for example, if, upon dissolution, such assets would, by reason of a provision in the organization's articles or operation of law, be distributed for one or more exempt purposes.

Treas. Reg. Section 1.501(c)(3)-1(c)(1) provides that an organization will be regarded as operated exclusively for one or more exempt purposes only if it engages primarily in activities which accomplish one or more of such exempt purposes specified in IRC Section 501(c)(3). An organization will not be so regarded if more than an insubstantial part of its activities is not in furtherance of an exempt purpose.

Treas. Reg. Section 1.501(c)(3)-1(d)(1)(ii) states that an organization is not operated exclusively for one or more exempt purpose unless it serves a public rather than a private interest. It must not be operated for the benefit of designated individuals or the persons who created it.

Revenue Ruling 73-479, 1973-2 C.B. 176 describes an organization that selected its membership on the basis of compatibility without regard to scholarship and that held closed meetings with discussions carried on by speaker-members. While some educational value existed within the organization, prospective members were selected on the basis of social compatibility and its functions were to a significant extent fraternal and designed to stimulate fellowship among its members. Public benefit was found to be either nonexistent or so remote that the educational activity did not go substantially beyond the promotion of personal contacts and fellowship among members. This organization did not qualify for exemption under IRC Section 501(c)(3).

Alumnae Chapter Beta of Clovia v. C.I.R., T.C. Memo 1983-303 (1983) holds that when benefits are directed toward a narrowly designated group, and when viewed against an organization's avowed fraternal purposes, the conclusion is drawn that the organization has not met the "operated exclusively" test of IRC Section 501(c)(3). The case also agrees with prior precedent that the word exclusively plainly means if a single, non-exempt purpose is substantial in nature, this will destroy exemption regardless of the number or importance of truly exempt purposes.

Application of law

IRC Section 501(c)(3) and Treas. Reg. Section 1.501(c)(3)-1(a)(1) set forth two main tests to qualify for exempt status. An organization must be both organized and operated exclusively for purposes described in IRC Section 501(c)(3). You have failed to meet the organizational and operational requirement, as explained below.

You do not meet the operational test of IRC Section 501(c)(3) because you are not operating exclusively for charitable purposes. You have organized as a fraternal organization and a chapter of E. While you have

conducted some charitable activities, your primary purpose is to operate as a fraternity and impart the never-ending lesson of morality, loyalty and friendship among your members. Your funding mainly comes from member dues, which are primarily used to cover the fraternal activities of your members that include meetings and other social, recreational and community events. As a result, your net earnings inure to the benefit of your members more than incidentally. Therefore, you are not operated for exclusively exempt purposes within the meaning of IRC Section 501(c)(3). See Treas. Reg. Section 1.501(c)(3)-1(c)(1) and Treas. Reg. Section 1.501(c)(3)-1(d)(1)(ii).

You do not meet the organizational test stated in Treas. Reg. Section 1.501(c)(3)-1(b)(1)(i) and Treas. Reg. Section 1.501(c)(3)-1(b)(4). Your Articles of Incorporation do not limit your purpose to one or more exempt purposes under IRC Section 501(c)(3) as you are formed as a fraternal society under IRC Section 501(c)(10). Your Articles also indicate should you dissolve, your assets would be distributed to another IRC Section 501(c)(10) organization. Therefore, you are not organized for exclusively exempt purposes within the meaning of IRC Section 501(c)(3).

You are like the organizations described in Revenue Ruling 73-479 and Alumnae Chapter Beta of Clovia. While you may conduct activities that serve an exempt purpose, your stated purpose indicates you are primarily fraternal. You are ultimately formed for the fraternal benefit of your members. This constitutes a substantial non-exempt purpose within the meaning of IRC Section 501(c)(3). As these citations affirm, if a single, non-exempt purpose is present, this would preclude exemption, regardless of evidence of other acceptable exempt purposes.

Conclusion

Based on the information submitted, you are not organized and operated exclusively for exempt purposes within the meaning of IRC Section 501(c)(3). Your organizing document does not include language that limits your purposes to one or more exempt purposes in IRC Section 501(c)(3). You are not operating exclusively for exempt purposes as you are primarily formed for the private interests of your members which includes substantial recreational and social activities. Accordingly, we conclude you do not qualify for exemption under IRC Section 501(c)(3). Donations to you are not deductible.

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 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 or call 877-777-4778.

Sincerely,

Stephen A. Martin
Director, Exempt Organizations
Rulings and Agreements