

Internal Revenue Service
District Director

Department of the Treasury

Post Office Box 1680, GPO
Brooklyn, NY 11202

Date: JUN 14 1994

Person to Contact:

Contact Telephone Number:

Refer Reply to:
EO: 7321

CERTIFIED MAIL

Dear Applicant:

We have considered your application for recognition of exemption under section 501(c)(8) of the Internal Revenue Code.

The evidence presented reveals that you were incorporated on [REDACTED] pursuant to the provisions of the not-for-profit Corporation Law of the State of [REDACTED].

The purposes for which the corporation is formed are as follows:

To conduct, operate, and maintain a social club

To promote friendship and sociability among its members.

To hold meetings and social gatherings for the better realization of said purposes

To provide, through this club, a practical means of forming enduring friendships.

To aid, assist, develop, promote, foster, encourage and preserve cultural, economic, social and physical welfare of men and women.

To foster, develop and promote better understanding among citizens of the community.

To provide benefits exclusively for its members.

To be a fraternal society for any and all types of people.

[REDACTED] is a membership organization. Any immigrant or descendant thereof who is employed or owns a business or profession can be as "full member" and members of their family can become a "family member". A member must have an interest in the community and in mutually assisting other members of the community and of the society in times of needs. Members will be required to pay dues.

The corporation will operate to provide a vehicle for selfhelp among immigrants. The organization intends to help immigrants adjust to living here in the United States by informing them about American culture, history, government, etc. The corporation will provide death benefits to its members. A members surviving family will be given \$1,000 to help funeral expenses.

The dues are pooled to provide such benefits because members can not afford life insurance.

The sources of income will consist of membership dues. The disbursements consist of expenses for the death benefit payment to member's family, other salaries and wages, occupancy and other expenses. Other expenses include office supplies and the newsletter.

Section 501(c)(8) of the Code provides, in part, for granting exempt status to organizations which are fraternal beneficiary societies, orders or associations, operating under the Lodge System or for the exclusive benefit of the members of a fraternity itself operating under a Lodge System and provides life, sick, accident and similar benefits to members and their dependents.

Section 1.501(c)(8)-1(a) of the Income Tax Regulation 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 an activity under a form of organization that comprises local branches, chartered by a parent organization and largely self-governing, called Lodges, Chapters, or the like.

Revenue Ruling 55-495 1955-2 C.B. 259, holds that an association that provides life, sick, accident or other benefits to members or their dependents, but does not operate under the Lodge System, or for the exclusive benefit of the members of an organization so operating, is not exempt as a fraternal beneficiary society as described in Section 501(c)(8) of the Code.

Like the organization described in Revenue Ruling 55-495, your corporation's purpose is to assist its member by providing payments of death benefits and does not operate under the lodge system nor for the exclusive benefit of the members of an organization so operating.

In order to qualify as a fraternal beneficiary organization exempt under IRC 501(c)(8), an organization must operate under the lodge system or for the exclusive benefit of members that so operate. As stated in Reg. 1.501(c)(8)-1(a), 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 selfgoverning, called lodges, chapters, or the like."

The intention to so operate is insufficient. An organization is operating under the lodge system only when the parent and local organizations are active; mere provision in the constitution and bylaws for such bodies is not enough. Your organization is not actively operating under the lodge system. There are no activities presently being conducted by the parent organization and there are no active local chapters.

Therefore, we conclude that you do not meet the requirements of a fraternal beneficiary society as described in section 501(c)(8) of the Code being that you do not operate under the lodge system.

Accordingly, we conclude that you do not meet the requirements for exempt status under section 501(c)(8) of the Code and propose to deny your request for exemption under that section.

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

You are required to file a taxable return Form 1120 or 1041 with the District Director or Internal Revenue Service. Please send the return to the Internal Revenue Service, P.O. Box 1880, General Post Office, Brooklyn, NY, 11202.

If you do not agree with this determination, you may request a Conference with the Regional Director of Appeals by protesting in accordance with the enclosed instructions within 30 days.

Protests submitted which do not contain all the documentation stated in the instructions will be returned for completion.

If we do not hear from you within that time, this determination will become final.

Sincerely yours,


District Director

Enclosure: Publication 892