

Internal Revenue Service
District Director

Department of the Treasury

Post Office Box 1680, GPO
Brooklyn, NY 11202

Date: MAY 18 1994

Person to Contact:

Contact Telephone Number:

Refer Reply to:

Employer Identification
Number:

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 disclosed that you were incorporated on [REDACTED] under the not-for-profit corporation law of the State of [REDACTED].

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

- (1) to help needy children
- (2) to participate in the affairs and activities of the community.
- (3) to provide food, medicine and clothing to countries in need.
- (4) to engage in other humanitarian activities for the assistance to its members and the local, national and world community in times of need resulting from extraordinary occurrence.
- (5) to do any other act or thing appropriate or incidental to or connected with the foregoing purposes or in advancement thereof, but not for pecuniary profit or financial gain of its members, directors or officers, except as permitted under Article 5 of the law.
- (6) to conduct any and all activities as shall from time to time be found appropriate and as are lawful for not-for-profit corporations under the law.

The information submitted with your application indicates that your primary activity is to provide death benefits to the members of the organization.

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, Charters, 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.

Your organization is not eligible for exemption under code section 501(c)(8) nor under section 501(c)(4) because Revenue Ruling 55-495 as, modified by Revenue Ruling 75-199, 1975-1 C.B. 160, provides that a nonprofit organization that restricts its membership to individuals of good moral character and health belonging to a particular ethnic group residing in a stated geographical area and provides sick benefits to members and death benefits to their beneficiaries is not exempt under section 501(c)(8) nor under section 501(c)(4) of the Code.

Like the organization described in Revenue Ruling 55-495, your corporation's purpose is to assist its members 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.

Similar to the organization described in Revenue Ruling 75-199, your corporation is essentially a mutual, self-interest type organization. A direct economic benefit is provided to members and any benefit to the larger community is minor and incidental.

In light of the above, we hold that you are not entitled to exemption under 501(c)(8) nor 501(c)(4) of the Code because you are not operating exclusively for charitable purpose.

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 of Internal Revenue Service. Please send the return to the Internal Revenue Service, P.O. Box 1680, 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