



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

**Date:**  
10/24/2025  
**Employer ID number:**

**Form you must file:**

**Tax years:**

**Person to contact:**

Release Number: 202603001  
Release Date: 1/16/2026  
UIL Code: 501.00-00, 501.08-00

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)(8). 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**

**Date:**  
08/26/2025  
**Employer ID number:**

**Person to contact:**  
**Name:**  
**ID number:**  
**Telephone:**  
**Fax:**

**Legend:**

B = State  
C = Date  
d percent = Percent  
e percent = Percent  
f percent = Percent

**UIL:**

501.00-00  
501.08-00

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

**Facts**

You incorporated in B on C. You operate under the lodge system and provide death benefits for your members. You have three classes of membership: beneficial, non-beneficial, and dual. Your members pay dues, which allows them to receive benefits like access to your memorial foundation for family protection and discounts through partners.

You conduct bingo games multiple times each week, along with two weekly drawings. You indicated that your largest activity is the operation of your bingo games and nearly all of the bingo customers are non-members. You indicated on your application that you do not operate for the exclusive benefit of the members of an organization operating under the lodge system.

Members and non-members are allowed to participate in all activities, except for one weekly drawing that is open to members only. You indicated that your bingo games and one of your weekly drawings are open to the public, as are all your fundraisers.

Most of your food and beverage sales, d percent, are to non-members. In addition, you operate a social room, which is open to your members seven days a week; however, you indicated that your social room does not generate enough income to sustain your facilities.

You hold fundraising events to raise money for charitable organizations. Your bingo activities are funded by the sale of bingo packs, which you set to be competitive with other bingo halls, and the sale of pull tab tickets. Your weekly drawings are funded by the sale of tickets and the fundraisers are funded by the sale of raffle tickets, actions, pull tabs, and donations.

You indicated that approximately e percent of bingo income is spent to resupply paper and pull tabs sold throughout the week. The remainder of that income is used to pay utility bills, as allowed by the state gaming commission rules and regulations, and donations to charitable activities. In addition, the percentage of income from the social room spent restocking the kitchen, bar and snack bar is approximately f percent on a weekly basis. The remainder is used to pay bills that are not allowed to be paid through charitable gaming income. The remainder of your expenses are for salaries and wages.

You indicated that your activities further your exempt purpose because your primary purpose is to benefit your community through charitable giving and social initiatives, rather than to generate profit for your members.

#### Law

IRC Section 501(c)(8) states that fraternal beneficiary societies, orders, or associations are exempt from federal income tax, if they are (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.

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. In order to be exempt, it is also necessary that the society have an established system for the payment to its members or their dependents of life, sick, accident, or other benefits.

Revenue Ruling 73-165, 1973-1 C.B. 224, discusses the necessary ratio of fraternal activity to beneficial activity required of an IRC Section 501(c)(8) organization, and states that there is no requirement that either feature predominate so long as both are present. The ruling is clear that in order for an organization to be described in Section 501(c)(8) it must contain substantial fraternal features and conduct substantial fraternal activities.

Polish Army Veterans Post 147 v. Commissioner, 24 T.C. 891 (1955), affd. 236 F.2d 509 (3rd Cir. 1956), concluded that an organization had not established its exemption as a fraternal beneficiary society because the social members actually eliminated any chance the Post had for exemption as a fraternal beneficiary society. They comprised about ninety percent of its membership. The court stated that they can readily agree they were friends of the Post but they did not possess the statutory fraternal requisite which the active members had. They were not made members of the Veterans Association. They had no say in the management or control of the Post and were not entitled to sick or death benefits. Undoubtedly they were well disposed towards the organization,

glad to help and to be admitted to the club rooms but those things standing alone were never intended by Section 101(3) to be sufficient to establish exemption as a fraternal beneficiary society.

Waco Lodge No.166, Benevolent & Protective Order of Elks v. Commissioner, 42 T.C. Memo (CCH) 1202 (1981), held that a Section 501(c)(8) organization's income from operation of a weekly bingo game constituted unrelated business taxable income under Section 511 and Section 513. The gambling activities were open to the public. When a guest gambles with his own money, the fraternal organization is providing recreational activities directly to a non-member rather than as a service to members. When a fraternal organization provides recreational activities, to non-members directly, those activities do not have a substantial causal relationship to the organization's exempt purpose of providing social and recreational activities to the members.

#### **Application of law**

You are not described in IRC Section 501(c)(8). Although you are operating under the lodge system and provide death benefits to members, you are not operated for the exclusive benefit of your members as required by Treas. Reg. Section 1.501(c)(8)-1(a). Rather, a substantial portion of your activities are open to non-members, including gambling, which does not further fraternal purposes.

You are unlike the organization described in Rev. Rul. 73-165 that was granted exemption under IRC Section 501(c)(8) because, unlike this organization, your activities consist of substantial non-member activity through gaming operations and sales of goods. As stated in Waco Lodge No. 166, Benevolent & Protective Order of Elks, when a fraternal organization provides recreational activities, such as gambling, to non-members directly, those activities do not have a substantial causal relationship to the organization's exempt purpose of providing fraternal activities to the members. These facts demonstrate a substantial non-exempt purpose inconsistent with Section 501(c)(8).

Like the organization in Polish Army Veterans Post 147, most of the individuals that participate in your gambling activities, which is the source of most of your revenue, aren't your members and aren't entitled to benefits. Therefore, you are not operating in furtherance of an exempt purpose of a fraternal organization as described in IRC Section 501(c)(8).

#### **Conclusion**

Based on the information provided, you are not described in IRC Section 501(c)(8). A substantial part of your activities consists of is non-member gaming, which doesn't further a fraternal purpose amongst your members. Because your activities aren't for the exclusive benefit of your members, you are precluded from exemption under Section 501(c)(8).

#### **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