

**Title:** Internal Revenue Code (IRC) Section 501(c)(8) (Supersedes “Basics of Internal Revenue Code (IRC) Section 501(c)(8)” dated June 1, 2020

**Date Approved:** January 15, 2022

**References:** IRS Publication 554  
IRS Publication 598  
Auditing and Accounting Manual, Chapter 3, Paragraph 3-205,  
Pages, 56 and 57  
Auditing and Accounting Manual, Appendix M

**Author:** Richard Martin, PDD

### **DISCLAIMER**

The Business Practice Committee of the B.P.O. Elks of the State of Florida has prepared this information to assist the Local Lodges of this Fraternal Order. The FSEA Business Practice Committee is neither responsible nor empowered to be responsible for the establishment of such procedures. The Business Practice Committee acts as a resource to assist Local Lodges. You should always consult your Lodge's tax and legal advisors before engaging in any endeavors or transactions to ensure compliance with Federal, State, and Local Laws.

## INTERNAL REVENUE CODE (IRC) SECTION 501(c)(8)

Every Elk Lodge is under the umbrella of the Grand Lodge and is exempt from paying federal income tax on income legally earned by the Lodge. Just try to comprehend how much money a Lodge is saving every year by not having to pay taxes on all income earned. Where does the exemption come from and what does the exemption mean?

In order to qualify for an exemption, an organization must meet certain Internal Revenue Codes (IRC) which are broken down into Sections. Refer to IRS Publication 557 (Tax-Exempt Status for Your Organization), Chapter 4, (Other Section 501c Organizations) to review a few of the many sections that are available and to what type of organization. Fraternal Beneficiary Societies (501(c)(8)) is included in Chapter 4.

In 1981, the Internal Revenue Service, District Director confirmed that all Elk Lodges are under Section 501(c)(8) as long as each Lodge is: “(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.” Additional paragraph states “The Grand Lodge and the subordinate lodges will continue to be recognized under section 501(c)(8) of the Internal Revenue Code if they meet the requirements of (A) and (B) as mentioned above.” Please note: Item (A) above

“exclusive benefit of the members” and item (B), all Elk Lodges are under “other benefits” as all Lodges receive benefits from the Grand Lodge.

In accordance with the IRS Publication 598 (Tax on Unrelated Business Income of Exempt Organizations) Introduction, page 2 “An exempt organization isn’t taxed on its income from an activity substantially related to the charitable, educational, or other purpose that is the basis for the organization’s exemption. Such income is exempt even if the activity is a trade or business.” Chapter 4, (Unrelated Business Taxable Income), “the term “unrelated business taxable income” (UBTI) generally means the gross income derived from any unrelated trade or business regularly conducted by the exempt organization, less the deductions directly connected with carrying on the trade or business.” There are a few exceptions and the main one for every Elk Lodge to use is “Volunteer workforce”. On page 9 of IRS Publication 598, there are two good examples on how to turn Unrelated Business Income into non-taxable income. To do this, must document each event. A good form to use is the “Event Report” form on the Business Practices Committee webpage. It is very important to have the names of each volunteer and hours worked by each volunteer. This information must be attached to the Event Report.

The General Rules, Chapter 3, page 56 of the Auditing and Accounting Manual should be required reading for all Lodge Officers

and House Committee. Use this information in conjunction with Tax-Exempt Sales to the General Public, Chapter 3, Paragraph 3-205, Pages 56 and 57 for all Fund Raising Committees. The Event Report is the document to use to record all fund raising events.

If the Lodge is doing a Breakfast as a membership drive, it must be well documented and be able to prove to the IRS, to their satisfaction, the income is not taxable.

Each Lodge must ensure all rules and regulations of the Grand Lodge as well as State and Federal rules are followed.

By using the above information properly, every Lodge can produce income for their Lodge. Remember, there must be an exception to sell anything to the general public and the best one to use is "Volunteer Workforce" with proper documentation.