*25 T.C. 371 (1955)*

An organization seeking exemption from federal income tax must meet all the requirements of a single, specific provision of the Internal Revenue Code; it cannot combine elements from different provisions to qualify for exemption.

**Summary**

The Allgemeiner Arbeiter Verein, a Pennsylvania corporation, sought exemption from federal income tax. The Verein operated both a social club with recreational activities (bar, bowling alleys) and provided sickness and death benefits to its members. It argued it qualified for exemption under sections 101(9) (clubs for pleasure/recreation) and 101(10) (benevolent life insurance associations) of the Internal Revenue Code of 1939. The Tax Court held that because the Verein did not exclusively meet the requirements of either section, it was not exempt. It reasoned that the Verein could not be treated as two separate entities, one qualifying under each section, but must meet all criteria under a single exemption provision to qualify for exemption from income tax.

**Facts**

The Allgemeiner Arbeiter Verein was incorporated in Pennsylvania in 1922 to provide mutual assistance to members. The Verein had two classes of members: “active” and “social.” Active members, who paid higher dues, were eligible for sickness and death benefits. Social members paid lower dues and had access to the club’s social and recreational facilities. The Verein owned a building with a bar and bowling alleys, with income split between two accounts: a Beneficial Account for benefits and a House Account for social activities. The Verein’s income in 1948 came from both benefit dues and social and recreational activities. The IRS revoked a prior tax-exempt ruling, and assessed a deficiency for the 1948 tax year.

**Procedural History**

The IRS determined a tax deficiency for the Verein for the year 1948, revoking a prior tax-exempt ruling. The Verein petitioned the United States Tax Court to challenge the deficiency. The Tax Court considered the case based on stipulated facts and arguments from both sides.

**Issue(s)**

1. Whether the Allgemeiner Arbeiter Verein is exempt from income tax under section 101(9) of the Internal Revenue Code of 1939.

2. Whether the Allgemeiner Arbeiter Verein is exempt from income tax under section 101(10) of the Internal Revenue Code of 1939.

**Holding**

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1. No, because the Verein's activities were not exclusively for pleasure, recreation, and other nonprofitable purposes as required by section 101(9).

2. No, because the Verein did not meet the 85% income requirement for benevolent life insurance associations under section 101(10).

**Court's Reasoning**

The court emphasized that the Verein must meet the requirements of a single, specific exemption provision to qualify for tax-exempt status. The court stated, "Petitioner must show that it is wholly within some provision of section 101 granting such exemption." The Verein's activities fell under two sections, but did not meet the exclusive criteria of either. The court reasoned that the organization's sickness and death benefits program prevented it from being a club operated "exclusively for pleasure, recreation, and other nonprofitable purposes." The court further found that the Verein did not meet the 85% income requirement of section 101(10) because its income was derived from both member dues and social activities. The court rejected the Verein's argument that it could be treated as two separate entities, stating "There is nothing in the statute permitting the taxpayer to fragmentize itself and gain exemption piecemeal."

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