



MEMORANDUM

TO: Bob Klein, Chair,
and Members of the Board

DATE: April 3, 2018

FROM: Erika McConnell, Director

RE: Non-Profit Organizations and
Special Event Permits

Requested Action: Provide an interpretation of “fraternal, civic, or patriotic” in AS 04.11.240

Statutory Authority: AS 04.06.090(a) states, “The board shall control the manufacture, barter, possession, and sale of alcoholic beverages in the state. The board is vested with the powers, duties, and responsibilities necessary for the control of alcoholic beverages...”

Staff Recommendation: N/A

Background: At the last meeting, the Bethel city attorney asked the board to provide guidance on the interpretation of “fraternal, civic, or patriotic organizations” in AS 04.11.240, as only those types of organizations are allowed to hold a special events permit. A special events permit is the only type of permit that allows a non-licensee to serve alcohol.

AS 04.11.240(a) states, “A special events permit authorizes the holder to sell or dispense beer or wine for consumption at designated premises for a specific occasion and limited period of time. Only nonprofit fraternal, civic, or patriotic organizations active for a period of at least two years before application and incorporated under AS 10.20 are eligible for a special events permit, and only if all profits derived from the sale of beer or wine are paid to the organization and not to an individual.”

AS 10.20 is the Alaska Nonprofit Corporation Act. AS 10.20.005, Purposes, states, “Corporations may be organized under this chapter for any lawful purpose, including, but not limited to, one or more of the following: charitable; religious; benevolent; eleemosynary; educational; civic; cemetery; patriotic; political; social; fraternal; literary; cultural; athletic; scientific; agricultural; horticultural; animal husbandry; and professional, commercial, industrial, or trade association purposes. Trade unions and other labor organizations may also be organized under this chapter, but cooperative corporations, electric and telephone cooperatives, and organizations subject to state insurance or banking laws may not be organized under this chapter.” Clearly there are types of nonprofits other than fraternal, civic, or patriotic.

Nonprofit corporations are registered with the state. The initial filing requires a “purpose” and the 4-digit NAICS industry grouping code, but the purpose does not seem to be tied to AS 10.20.005. For example, in the purpose field of the Asthma and Allergy Foundation of America’s creation filing, they wrote, “dedicated to improving the quality of life for people with asthma and allergies through education, advocacy and research.” While the state registry of corporations can tell us whether the organization is incorporated under AS 10.20, it doesn’t help with determining whether the organization is “fraternal, civic, or patriotic.”

The IRS has many categories of nonprofit organizations. Some examples follow:

- 501(c)(3) - Charitable, educational, religious, literary, testing for public safety, promotion of amateur athletics, prevention of cruelty to children or animals
- 501(c)(4) - Civic leagues and social welfare organizations
- 501(c)(5) – Labor, agricultural, and horticultural organizations
- 501(c)(6) – Business leagues
- 501(c)(7) – Social and recreational clubs
- 501(c)(8) and 501(c)(10) - Fraternal beneficiary societies and domestic fraternal societies
- 501(c)(19) - Veterans' Organizations
- 501(c)(23) - Veterans' organizations created before 1880

The Merriam-Webster dictionary definitions of “fraternal,” “civic,” and “patriotic” are:

- Fraternal: of, relating to, or involving brothers; of, relating to, or being a fraternity or society
- Civic: of or relating to a citizen, a city, citizenship, or community affairs
- Patriotic: inspired by patriotism; befitting or characteristic of a patriot

Due to the difficulty in determining which nonprofit organizations are fraternal, civic, or patriotic, staff has issued special events permit to any nonprofit organization that is organized under AS 10.20.