

Internal Revenue Service

Department of the Treasury

District
Director

[REDACTED]

JAN 21 1987

Date:

Person to Contact:

Contact Telephone Number:

Refer Reply to:

CERTIFIED MAIL

Dear Applicant:

We have considered your application for recognition of exemption under section 501(c)(12) of the Internal Revenue Code.

The evidence presented disclosed that you were incorporated in the State of [REDACTED] on [REDACTED].

The purposes for which the corporation was formed are:

a. To do any lawful act or thing for which corporations may be organized pursuant to the Non-Stock Corporation Act of the State of [REDACTED].

b. To operate the Common Interest Community known as [REDACTED] located in [REDACTED] in accordance with the requirements for an Association of Unit Owners charged with the administration of Property under the Common Interest Ownership Act as amended to apply to this Common Interest Community, of the General Statutes of the State of [REDACTED].

The activities of the organization include the operation of the Common Interest Community known as [REDACTED] inclusive of management, maintenance and care of the association property. Any person who holds title to a unit in the common Interest Community shall be a member of the corporation. All present and future financial support will be from membership dues, fees or assessments received from owners of residential units. The membership dues will be utilized to manage and maintain the Common Interest Community, such as, payment for a condominium policy; water charges; and ground maintenance.

Section 501(c)(12) of the Internal Revenue Code of 1954 provides exemption from Federal income tax to benevolent life insurance associations of a purely local character, mutual ditch or irrigation companies, mutual or cooperative telephone companies, or like organizations; but only if 85 percent or more of the income consists of amounts collected from members for the sole purpose of meeting losses and expenses.

Revenue Ruling 67-265, 1967-2 C.B. 205 held that the term "Like Organizations" as used in the statute is limited by the types of organizations specified in the statute. It is applicable only to those mutual or cooperative organizations which are engaged in activities similar in nature to the benevolent life insurance or public utility type of service or business customarily conducted by the specified organizations.

In Revenue Ruling 65-201, 1965-2 C.B. 170 held that A nonprofit cooperative organization whose activities consist of selling electrical materials, equipment and supplies, and furnishing equipment manufacturing, repairing, testing and other services to its members is not a "like organization" within the meaning of section 501(c)(12) of the Internal Revenue Code of 1954, and therefore, does not qualify for exemption from Federal income tax under that section of the Code notwithstanding that its membership is limited to organizations exempt under such section of the Code.

Also, a cooperative housing organization operated for the personal benefit of its tenant-owner members is not a "like organization", and does not qualify for exemption from Federal income tax.

Therefore, we concluded that you do not meet the requirements of section 501(c)(12) of the Code being that you are not a benevolent life insurance association, a mutual ditch or irrigation company, a mutual or cooperative telephone company or a like organization.

We propose to deny your request for exemption under 501(c)(12) of the Internal Revenue Code.

We have also considered your organization for exemption under section 501(c)(4) of the Internal Revenue Code.

Section 501(c)(4) of the Internal Revenue Code provides for the exemption from Federal income tax of civic leagues or organizations not organized for profit but operated exclusively for the promotion of social welfare.

The concept of social welfare implies a service or program directed at benefitting the community rather than a private group of individuals.

Revenue Ruling 74-17, 1974-1 C.B. 130 held that an organization formed by the unit owners of a condominium housing project to provide for the management, maintenance and care of the common areas of the project, as defined by State statute, with membership assessments paid by the unit owners does not qualify for exemption under section 501(c)(4) of the Code.

Since your organization will be operating the Common Interest Community of [REDACTED] including the management, maintenance and care of the common areas, you have also failed to qualify under section 501(c)(4) of the Code.

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 protest 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 completions.

If we do not hear from you within that time, this determination will become final.

Sincerely yours,

 [Redacted signature]

District Director

Enclosure: Publication 892