

Internal Revenue Service

Department of the Treasury

District
Director

[REDACTED]

▷

[REDACTED]

Person to Contact:

[REDACTED]

Telephone Number:

[REDACTED]

Refer Reply to:

[REDACTED]

Date:

15 AUG 1985

CERTIFIED MAIL

Dear Applicant:

We have considered your application from Federal income tax as an organization described in section 501(c)(4) of the Internal Revenue Code.

The evidence submitted indicates that you were incorporated [REDACTED], under the laws of [REDACTED] for any lawful purpose to provide for maintenance, and administration of the common facilities and "private open space" and administration and enforcement of the covenants and restrictions, and levying, collecting and disbursing of assessments and charges, as more fully set forth in [REDACTED].

Membership in your organization consists of every property owner in [REDACTED]. Members are required to pay assessments for services that the Board of Directors are charged with accepting ownership of approved common open spaces, maintaining the clubhouse and pool in the development, and contracting for the necessary maintenance of the acquired common areas (specifically grass cutting and snow plowing).

Expenditures include maintenance, pool management, utilities, pool and clubhouse maintenance, taxes and other items.

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.

Section 1.501(c)(4)-1 of the Income Tax Regulations provides that an organization is not operated primarily for the promotion of social welfare if its primary activity is operating a social club for the benefit, pleasure, or recreation of its members.

Revenue Rulings 80-63 and 74-99 modify Revenue Ruling 72-102 to make clear that a homeowner's association must satisfy the following additional requirements to qualify for exemption:

1. It must engage in activities that confer benefit on a community comprising a geographical unit which bears a reasonable recognizable relationship to an area ordinarily identified as a governmental subdivision or a unit or district thereof.
2. It must not conduct activities directed to the exterior maintenance of private residences, and
3. It owns and maintains only common areas of facilities such as roadways and parklands, sidewalks and streetlights, access to or the use and enjoyment of which is extended to members of the general public and is not restricted to members of the homeowner's association.

Revenue Ruling 63-190 maintains a social club for members which also provides sick and death benefits for members and their beneficiaries, does not qualify for exemption from Federal income tax either as a social club under section 501(c)(7), a civic league under section 501(c)(4), or a fraternal beneficiary society under section 501(c)(8) of the Internal Revenue Code of 1954.

There is no provision in the Code for exemption from income tax of an organization having a combination of functions such as the one herein under consideration.

On the basis of the information and evidence submitted, it is held that your organization promotes primarily the maintenance of common open spaces and maintaining the pool and clubhouse in the development; it serves a combination of purposes as permitted by your Articles of Incorporation.

Therefore, we have determined that you do not qualify for exemption from Federal income tax under sections 501(c)(4) or 501(c)(7) of the Code.

You are required to file Federal income tax returns on Form 1120.

You have the right to appeal this determination if you believe it is incorrect. Please see the attached Publication 892.

If you do not appeal this determination within 30 days from the date of this letter, this determination will be final.

Sincerely yours,

District Director

Enclosure:
Publication 892