

Internal Revenue Service

Department of the Treasury

District
Director

Person to Contact:

Telephone Number:

Refer Reply to:

Date:

NOV 8 1989

CERTIFIED MAIL

Dear Sir or Madam:

We have considered your application of exemption from Federal income tax under section 501(c)(7) of the Internal Revenue Code of 1986.

The information submitted discloses that you were incorporated on [REDACTED], under the non-profit laws of the State of [REDACTED].


Your stated purposes are to acquire and maintain title in private roads, wells, water delivery systems, sewage delivery systems, recreational facilities, clubhouse, gatehouse, and to service the land and premises within the municipal area known as the R-4 Zone, located in the township of [REDACTED].

Membership is mandatory for all property owners holding title to real property located in the community development area. Only members and their guests have access to the common areas. The common areas include the following: existing roads, gatehouse, two existing lakes, beach areas, tennis courts, swimming pool, clubhouse, parking lot serving clubhouse, ball field, and all other existing outdoor recreational areas, excluding the golf course.

Income is derived primarily from membership assessments, rental fees, leasing fees, work permits, and interest income.

Expenditures are for salaries, insurance, water and sewer tariffs, road repairs and maintenance, street lighting, snow removal material and supplies, etc.

Section 501(c)(7) of the Internal Revenue Code exempts from Federal income tax clubs organized for pleasure, recreation, and other nonprofitable purposes, substantially all of the activities of which are for such purposes and no part of the net earnings of which inures to the benefit of any private shareholder.



Revenue Ruling 75-494, 1975-2 C.B., pg 214 states that a club will not qualify for exemption from Federal income tax under section 501(c)(7) if it owns and maintains residential streets which are not a part of its social facilities.

Substantially all of your activity is repairing and maintaining the condition of private roads, water delivery and sewage systems and various recreational amenities.

Accordingly, we hold that you are not operated substantially for pleasure, recreation or other nonprofitable purposes and that you do not qualify for exemption from Federal income tax as an organization described in section 501(c)(7) of the Internal Revenue Code.

Until you have established an tax exempt status, you are not relieved of the requirements for filing Federal income tax returns on Form 1120. If you meet the requirement of section 528 of the Code, you may elect to file Form 1120 HO, if it is to your advantage to do so. See Publication 588.

If you do not accept our findings, we recommend that you request a conference with a member of our Regional Office of Appeals. Your request for a conference should include a written appeal giving the facts, law and any other information to support your position as explained in the enclosed Publication 892. You will then be contacted to arrange a date for a conference. The conference may be held at the Regional Office or, if you request, at any mutually convenient District Office. If we do not hear from you within 30 days of the date of this letter, this determination will become final.

Sincerely yours,



District Director

Enclosure: Publication 892