

[REDACTED]

[REDACTED]

[REDACTED] (NOT TOLL FREE)

[REDACTED]

MAR - 4 1982

Dear Applicant:

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

The information submitted discloses that you were incorporated on [REDACTED] under the not for profit laws of [REDACTED]. Your purpose is to engage in the business of distributing television signals over a community antenna system to subscribers and consumers in the [REDACTED] areas, through the use of towers, antennas, cables, wires and other necessary equipment and devices, and for such purpose to erect, install, maintain and operate antennas, towers, cables, wires, amplifiers and other necessary business pursuits usual and incidental in the field of electronics and to engage in any and all business pursuit usual and incidental which may be necessitated by changes, advancements and inventions in the field of television and electronics. To construct and maintain pole lines, or underground cable or otherwise, as may be necessary.

Membership of your organization shall be persons subscribing to television services from your organization. They are subject to the following conditions:

1. Pay the required hook-up fee in full and agree to pay the monthly charges.
2. Be governed by the acceptance and receipt of television services only and not subject to approval by any board or other members.
3. All members shall be entitled to vote in person or by proxy.
4. No member shall be expelled nor have his right to vote cancelled by any act of the organization, its members, officers or directors.

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5. Upon ceasing to take services from the organization, the membership shall automatically be terminated.

You further stated in your exemption application, Form 1024, that monthly charges will be made until your bank loan is paid off. Then only charges will be for annual expenses and upkeep.

The financial information submitted with Form 1024 advises that your income will be from hook-up charges and monthly charges paid by your members to cover your expenses.

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

Section 501(c)(4)-1(a)(2) of the Income Tax Regulations states that an organization is operated exclusively for the operation of social welfare if it is primarily engaged in some way the common good and general welfare of the people of the community. An organization coming within the scope of this section is one that is operated to bring about civic betterments and social improvements.

Revenue Ruling 54-394, 1954-2 C.B. G, holds that an organization formed for the purpose of engaging in activities in connection with the distribution, servicing, maintenance, and repair of television, but whose sole activity is to provide television reception in an area not readily adaptable to ordinary reception, for which it receives installation and service fees, is not entitled to exemption from Federal income tax under section 101(8) of the Internal Revenue Code of 1939 (which corresponds to section 501(c)(4) of the Internal Revenue Code of 1954).

On the basis of the information presented in your exemption application, Form 1024, and in view of the above citations, we hold that your organization is a private cooperative enterprise for the benefit of your members and any benefits to the community are not sufficient to meet the requirements of the regulations that an organization be operated primarily for the common good and general welfare of the people of the community.

Accordingly, we conclude that your organization is not entitled to exemption from Federal income tax under section 501(c)(4) of the Code as a social welfare organization.

It is further the opinion of this office that you do not qualify for exemption under any other subsection of section 501(c) of the Code.

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Therefore, you are not relieved of the responsibility for filing Federal income tax returns on Form 1120.

Although your organization does not qualify for exemption from Federal income tax, it is recommended, in connection with the income tax that may or may not be due, that you refer to section 1381 of the Internal Revenue Code.

If you are not in agreement with this determination, you may file a protest within 30 days from the date of this letter in accordance with the instructions contained in the enclosed Publication 892.

If we do not hear from you within the time prescribed, this communication will be our final determination in this matter.

Very truly yours,

District Director

Enclosure
 Publication 892
 Envelope

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