

Internal Revenue Service
2 Cupania Circle
Monterey Park, CA 91755
District
Director

Department of the Treasury
Western District

Person to Contact:

Telephone Number:

Refer Reply to:

Date: Dec 18 1996

CERTIFIED MAIL

Dear Applicant:

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

Your organization was formed in [redacted] to maintain private roads, common areas, common postal houses and enforce compliance with covenants. The only members are owners of lots within [redacted]. There are [redacted] lots in the subdivision and, at most, [redacted] members in your organization. None of the common areas maintained by your organization are for the use and enjoyment of the general public.

An organization may be exempt under Code section 501(c)(4) if it is not organized or operated for profit and is operated exclusively for the promotion of social welfare. An organization is operated exclusively for the promotion of social welfare if it is primarily engaged in promoting in some way the common good and general welfare of the people of the community. See Internal Revenue Code section 501(c)(4) and I. T. Reg. 1.501(c)(4)-1(a)(1).

A homeowners association, to qualify for exemption under section 501(c)(4), must serve a "community" which bears a reasonable recognizable

relationship to an area ordinarily identified as governmental, must not conduct activities directed to the exterior maintenance of private residences, and the common areas or facilities it owns and maintains must be for the use and enjoyment of the general public. See Rev. Rul. 74-99, 1974-1 C.B. 131.

Although your organization does not provide any exterior maintenance of private residences, it also does not maintain any common areas for the use and enjoyment of the general public. Maintaining the entrance area and private roads and enforcing covenants, conditions and restrictions are activities that primarily benefit the homeowners, not the community at large. Furthermore, it provides services only to the 59 property owners in the subdivision, not to any geographical unit bearing a reasonably recognizable relationship to an area ordinarily identified as a governmental subdivision or unit thereof.

For this reason we have concluded that you do not meet the requirements of section 501(c)(4) for exemption from tax. You do not qualify for exemption under any other paragraph of section 501(c).

Code	Initiator	Reviewer	Reviewer	Reviewer	Reviewer	Reviewer	Reviewer
Surname			/	/	/	/	/
Date			/	/	/	/	/

1977 Correspondence Approval and Clearance

Department of the Treasury/Internal Revenue Service

Your organization may qualify as a homeowners association under section 528 of the Internal Revenue Code. If you wish to qualify under this section you must elect to do so every year. The election is made by filing Form 1120-H. For more information please see Form 1120-H and instructions.

If you are not in agreement with our determination you may request a hearing with the Office of Regional Director of Appeals. Your request for a hearing should include a written appeal giving the facts, law, and any other information to support your position. Please see the enclosed Publication 892 for more information regarding the preparation of your appeal. You will then be contacted to arrange a date for a hearing. The hearing may be held at the Office of Regional Director of Appeals or, if you request, at a mutually convenient district office.

If you agree with our determination, please sign and return the enclosed Form 6018. Please note the signature instructions on the back of the form.

If we do not receive a protest from you within thirty days from the date of this letter, it will become our final determination.

If you have any questions, please contact the person whose name and telephone number are shown above.

Sincerely,

Steven A. Jones

District Director

Enclosures:
Publication 892
Form 6018
Envelope