



DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

Yellow

Date: FEB 26 2001

Contact Person: [REDACTED]

Identification Number: [REDACTED]

Contact Number: [REDACTED]

[REDACTED]

NO PROTEST RECEIVED
Release copies to District
Date: [REDACTED]

Surname: [REDACTED]

Employer Identification Number: [REDACTED]

Dear Applicant:

We have considered your application for recognition of exemption from federal income tax under section 501 (a) of the Internal Revenue Code as an organization described in section 501 (c)(4). Based on the information submitted, we have concluded that you do not qualify for exemption under that section. The basis for our conclusion is set forth below.

The information submitted indicates that you were incorporated on [REDACTED] under the laws of the state of [REDACTED]. Your stated purpose is to promote the social welfare of the residents of [REDACTED]. You state that membership in the organization is voluntary. All residents are invoiced for dues, but some residents have chosen not to pay dues, and there is no basis for enforcing the payment of dues. There are approximately [REDACTED] lots in [REDACTED]. Approximately 70% of the residents have paid their dues and are members of the organization. All of the residents of the [REDACTED] occupy mobile homes that are located on lands leased from the State of [REDACTED].

You have represented that your primary activity is the provision of legal and other representation to resident members in negotiating the extension of current leases on terms that are economically feasible to the tenants. You also plan to work to reverse the State's [REDACTED] decision to convert the mobile home park to public uses and to challenge the provisions in the current tenant leases relieving the State of paying the mobile home owners expenses in moving their homes from the park should their leases not be renewed. You state that this effort has taken the largest percentage of your funds (50%) from the year [REDACTED] to [REDACTED]. You further state that the State Park authorities "chose to offer individual leases to the occupants of the mobile home park rather than to lease all lots as a group to some organization established for the purpose of subleasing the lots to individual occupants".

You represent that the other activities conducted by you will benefit the common welfare of the citizens of [REDACTED] and the State of [REDACTED]. You estimate that these activities take 15% of your revenue and 50% of your time. These activities include publication of a quarterly newsletter, participation in environmental projects, a student gardening project, a project to ensure beach access to the disabled, a traffic project, and creation of a proposal to preserve the [REDACTED].

Section 501 (c)(4) of the 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 (a)(2) of the Income Tax Regulations states that 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. An organization coming within the scope of this section is one that is operated to bring about civic betterment and social improvements.

Rev. Rul. 73-306, 1973-2 C.B. 179, holds that a nonprofit organization formed to represent member-tenants of an apartment complex in negotiations with landlords, in litigation, and before local and Federal regulatory agencies with respect to matters of mutual concern to the tenants does not qualify for exemption under section 501 (c)(4) of the Code. This ruling was based on the conclusion that the organization was operated essentially for the private benefit of its members and was not primarily engaged in activities for the common good and general welfare of the people of the community.

Rev. Rul. 80-206, 1980-2 C.B. 185, describes an organization formed to promote the legal rights of tenants in a community by publishing a newsletter, conducting public meetings dealing with matters of concern to tenants, operating an information center, testifying before administrative and legislative bodies and occasionally initiating litigation to contest the validity of legislation. This organization was held to qualify for exemption under section 501(c)(4) of the Code because it was promoting the common good and general welfare of the people of the community by promoting the legal rights of tenants in general.

In Commissioner v. Lake Forest Inc., 305 F.2d 814 (1962), the court held that a nonprofit corporation formed to acquire and operate a low-cost housing cooperative was held not to be a social welfare organization because it did not offer a program or service to benefit the community-at-large. Its contribution was not of a "public" character. Instead, it was a private cooperative undertaking for the benefit of its members, enabling them to save for a home to satisfy their own material ambitions.

In Consumer-Farmer Milk Cooperative, Inc. v. Commissioner of Internal Revenue, 186 F.2d 68 (1950), the court denied exemption under section 501 (c)(4) of the Code because the organization's purpose was determined to primarily benefit its members economic interests and to serve larger public purposes only incidentally.

The determination of whether an organization qualifies for exemption from federal income tax under section 501 (c)(4) of the Code is made by carefully scrutinizing the organization's activities. To be exempt, the activities of the organization must address a bona fide community need. In addition, the activities of the organization should not duplicate services provided by commercial entities. Moreover, private economic benefits may not be channeled to members of the organization.

[REDACTED]

Your organization has some similarity to the one described in Rev. Rul. 80-206, in that some of your activities are aimed at improving conditions for the community in general. Your primary activity of representing residents of [REDACTED] State to secure the extension of leases, however, serves the private interests of the residents rather than the common good and general welfare of the people of the community as a whole in a manner similar to that described in Rev. Rul. 73-306. Specifically, you are advancing the private economic interests of the residents by lessening the cost of legal and other representation that would ordinarily be borne by the individual residents. This would clearly result in economic savings to the residents and would indicate that you are not operated exclusively for social welfare purposes that benefit the general community. In addition, your negotiation of leasing agreements on favorable terms to the residents, is in the nature of a commercial activity carried on in a manner similar to organizations operated for profit.

The fact that you are also engaged in other activities, which may have a "public" character and would serve to promote social welfare purposes, does not diminish the fact that your primary activity is to conduct a private cooperative undertaking for the benefit of the residents of a particular mobile home park, resulting in the advancement of their private economic interests. Any benefit to the community at-large is merely incidental to the private benefit provided to the trailer park residents. Moreover, the fact that, from [REDACTED] to [REDACTED] you have expended at least 50% of your revenue toward this activity is additional evidence that your overarching focus and activity is the promotion of leasing and other arrangements that are economically beneficial to the residents of [REDACTED].

Because your primary activity caters to the economic benefit of your tenant-members rather than to the promotion of social welfare you are not promoting social welfare within the meaning of section 501(c)(4) of the Code.

Accordingly, you do not qualify for exemption as an organization described in section 501(c)(4) of the Code and you must file federal income tax returns.

You have the right to protest this ruling if you believe it is incorrect. To protest, you should submit a statement of your views to this office, with a full explanation of your reasoning. This statement, signed by one of your officers, must be submitted within 30 days from the date of this letter. You also have a right to a conference in this office after your statement is submitted. You must request the conference, if you want one, when you file your protest statement. If you are to be represented by someone who is not one of your officers, that person will need to file a proper power of attorney and otherwise qualify under our Conference and Practices Requirements.

If we do not hear from you within 30 days, this ruling will become final and a copy will be forwarded to the Ohio Tax Exempt and Government Entities (TE/GE) office. Thereafter, any questions about your federal income tax status should be directed to that office, either by calling 877-829-5500 (a toll free number) or sending correspondence to: Internal Revenue Service, TE/GE Customer Service, P.O. Box 2508, Cincinnati, OH 45201.

[REDACTED]

When sending additional letters to us with respect to this case, you will expedite their receipt by using the following address:

Internal Revenue Service
[REDACTED] T:EO:RA:T: 4; RM 6236
1111 Constitution Ave, N.W.
Washington, D.C. 20224

If you have any questions, please contact the person whose name and telephone number are shown in the heading of this letter.

Sincerely,

~~Gerald V. Sack~~
Gerald V. Sack
Manager, Exempt Organizations
Technical Group 4

Cc: [REDACTED]



[REDACTED]

[REDACTED]

[REDACTED]