

Internal Revenue Service
District Director

Department of the Treasury

Post Office Box 1680, GPO
Brooklyn, NY 11202

Date: AUG 21 1989

Person to Contact:

Contact Telephone Number:

Refer Reply to:

CERTIFIED MAIL

Dear Applicant:

We have considered your application for recognition of exemption under section 501(c)(7) of the Internal Revenue Code.

The evidence presented disclosed that you were incorporated on [REDACTED], in the [REDACTED].

The purposes as stated in your Articles of Incorporation are (1) to exercise, promote and protect the privileges and interests of the residents of [REDACTED], [REDACTED] in the Town of [REDACTED], [REDACTED] County, [REDACTED]; (2) to promote the maintenance, improvement and safety of the beaches, jetties and other common facilities within or available to the [REDACTED] Community. Membership is open only for home owners of [REDACTED].

The information submitted indicates that the organization was formed to provide road maintenance for a private road that has not been accepted as a town road. As to the jetties and waterfront property you indicate that it is doubtful that the town's department of natural resources and/or its highway department would be able to properly maintain those areas. Income is derived from membership dues and investment (bank account) interest.

The organization is comprised to two (2) subcommittees (1) The Road Maintenance Committee whose functions are to assess the need for periodic road repairs and/or resurfacing, receive estimates, award contracts and supervise work in progress; and (2) The Waterfront Maintenance Committee whose function is to assess that need for periodic beach nourishment and stabilization. Following Association approval, the Committee shall receive an order of Conditions from the [REDACTED] Conservation Commission, award contracts and supervise work, in progress.

Section 501(c)(7) of the Code provides exemption to 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. In general, this exemption extends to social and recreational clubs which are supported solely by membership fees, dues, and assessments. However, a club otherwise entitled to exemption will not be disqualified because it raises revenue from members through the use of club facilities or in connection with club activities.

Revenue Rule 75-494, 1975-2 C.B. 214 states that an organization formed for the purpose of providing social and recreational facilities, whose memberships is limited to homeowners of a housing development, will be precluded from qualifying for exemption under section 501(c)(7) of the Code by owning and maintaining residential streets, enforcing restrictive covenants, or providing residential fire & police protection and trash collection service.

Similar to Revenue Rule 75-494, 1975-2 C.B. 214, your organization is operated for the personal interests of the property owners of [REDACTED] and social functions are not material to the organization's primary purpose. The organization's primary purpose is to maintain certain roadways. Thus, a club which owns and maintains residential streets is not operated exclusively for pleasure, recreation, and other nonprofitable purposes as stated in section 501(c)(7) of the Code.

Accordingly, we conclude that you do not meet the requirements for exempt status under section 501(c)(7) of the Code and propose to deny your request for exemption under that section.

We have also determined that you fail to qualify for exempt status under any other subsection of IRC 501(c).

You are required to file a taxable return Form 1120 or 1041 with the District Director of Internal Revenue Service. Please send the return to the Internal Revenue Service, P.O. Box 1680, General Post Office, Brooklyn, NY 11202.

If you do not agree with this determination, you may request a Conference with the Regional Director of Appeals by protesting in accordance with the enclosed instructions within 30 days.

Protests submitted which do not contain all the documentation stated in the instructions will be returned for completion.

If we do not hear from you within that time, this determination will become final.

Sincerely yours,



District Director

Enclosure: Publication 892