

Internal Revenue Service

Department of the Treasury

District
Director

~~x 25 71 11 15 20 25 30 35 40 45 50 55 60 65 70 75 80 85 90 95 100 105 110 115 120 125 130 135 140 145 150 155 160 165 170 175 180 185 190 195 200 205 210 215 220 225 230 235 240 245 250 255 260 265 270 275 280 285 290 295 300 305 310 315 320 325 330 335 340 345 350 355 360 365 370 375 380 385 390 395 400 405 410 415 420 425 430 435 440 445 450 455 460 465 470 475 480 485 490 495 500 505 510 515 520 525 530 535 540 545 550 555 560 565 570 575 580 585 590 595 600 605 610 615 620 625 630 635 640 645 650 655 660 665 670 675 680 685 690 695 700 705 710 715 720 725 730 735 740 745 750 755 760 765 770 775 780 785 790 795 800 805 810 815 820 825 830 835 840 845 850 855 860 865 870 875 880 885 890 895 900 905 910 915 920 925 930 935 940 945 950 955 960 965 970 975 980 985 990 995 1000~~
P.O. Box 1680 Brooklyn, NY 11202

Date: MAR 21 1984

Person to Contact:

Contact Telephone Number:

Refer Reply to:

CERTIFIED MAIL

Gentlemen:

We have considered your application for recognition of exemption under section 501(c)(2) of the Internal Revenue Code.

The evidence presented disclosed that you were incorporated under the laws of the State of . Your purposes, briefly stated are to operate, repair, and maintain a retention pond, sewage pumping station, main roadway, and sewer and storm drainage lines in a condominium community maintained by and (both you state qualify as organizations described in section 528 of the Code) located at in , county of , State of .

Your membership consist of the owners of each dwelling unit in and . Your only source of income is monthly association assessments from and . The amount of this assessment is determined by the Board of Directors of the .

Your organization will hold income to create a reserve for a major repair to the pond or the sewage pumping station in excess of regular maintenance.

Section 501(c)(2) provides for the exemption of corporations organized for the exclusive purpose of holding title to property, collecting income therefrom, and turning over the entire amount thereof, less expenses, to an organization which itself is exempt under section 501 of the Internal Revenue Code.

Section 1.501(c)(2)-1(b) of the Income Tax Regulations set forth that a corporation described in section 501(c)(2) cannot accumulate income and retain its exemption, but it must turn over the entire amount of such income, less expenses, to an organization which is itself exempt from tax under section 501(a).

(2)

Revenue Ruling 71-544, 1971-2 C.B. 227 states in part that the history of section 501(c)(2) of the Code indicates that a title-holding corporation within the meaning of that section has traditionally been regarded as being essentially an investment or property holding subsidiary of an organization which is itself exempt under section 501. It concluded that section 501(c)(2) of the Code provides exemption from Federal income tax for a corporation that holds title to property only where there is effective ownership and control over the title-holding corporation by a distributee organization.

On the basis of the evidence presented, we hold that you are organized and operated exclusively as a service organization formed to operate, repair and maintain a retention pond, sewage pumping station, main roadway and sewer and storm drainage lines for the benefit of your members (owners of condominiums in [REDACTED] and [REDACTED], [REDACTED] and [REDACTED]).

Therefore, the [REDACTED] does not qualify as being essentially an investment or property holding subsidiary of an organization which itself is exempt under section 501 as required by section 501(c)(2) of the Code.

We have also considered your application for exemption under section 501(c)(4) as a social welfare organization.

Section 501(c)(4) of the Internal Revenue Code grants exemption to social welfare organizations not organized for profit but operated exclusively for the promotion of social welfare.

Section 1.501(c)(4)-1(a)(2)(i) of the Income Tax Regulations provides 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.

Revenue Ruling 69-280, 1969-1 C.B. 152, held that an organization operated primarily for the private benefit of members, any benefits to the community are not sufficient to meet the requirement of the regulation that the organization be operated primarily for the common good and general welfare of the people of the community.

(3)

██████████ states that there are no other homes being serviced in the area. Therefore, it is a private corporation for the economic benefit and convenience of its members. Accordingly, you are not exempt from Federal income tax as a social welfare organization under section 501(c)(4) of the Code.

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 the 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 completions.

Sincerely yours,

/s/ ██████████

District Director

Enclosures: Publication 897