

Internal Revenue Service

Department of the Treasury

District
Director

P O Box 775, Los Angeles, Calif. 90053

Person to Contact:

Telephone Number:

Refer Reply to:

Date: MAR 12 1987

Dear Sir or Madam:

We have considered your application for exemption from Federal income tax as an organization described in section 501(c)(2) and 501(c)(4) of the Internal Revenue Code of 1954.

The information submitted discloses that you were incorporated under the nonprofit corporation laws of the State of [REDACTED] on [REDACTED].

Information submitted fails to disclose that you hold title to property and collect rental income therefrom.

Since you are not a corporation organized and operating for the exclusive purpose of holding title to property for an organization that has established an exemption from Federal income tax, and turning over your receipts, less expenses, to such organization, it is our conclusion that you do not qualify for exemption from Federal income tax as a holding company described in section 501(c)(2) of the Code.

The only source of your income is from homeowners' dues. Section 4.2 of the Declaration of Conditions, Covenants and Restrictions states that the assessments levied by the Association shall be used exclusively to promote the recreation, health, safety and welfare of the members of the Association, the improvement, replacement, repair, operation and maintenance of the common area and the performance of the duties of the Association as set forth in this Declaration. The common areas defined in the Declaration of Conditions, Covenants and Restrictions include floors, roofs, foundations and central heating equipment.

Internal Revenue Ruling 74-17, Internal Revenue Bulletin 1974-1, page 130, provides that an organization formed by the unit owners of a condominium housing project to provide for the management, maintenance and care of the common areas of the project, as defined by State statute, with the membership assessments paid by the unit owners does not qualify under section 501(c)(4) of the Code. The services provided constitute private benefits not within the purview of section 501(c)(4) of the Code.

This ruling may be distinguished with Revenue Ruling 74-99, which provides that a homeowners' association, to qualify for exemption under section 501(c)(4) of the Code, (1) must serve a "community" which bears a reasonably recognizable relationship to an area ordinarily identified as governmental, (2) it must not conduct activities directed to the exterior maintenance of private residences, and (3) the common area or facilities it owns and maintains must be for the use and enjoyment of the general public.

Since you provide services to your membership, as described in Revenue Ruling 74-17, rather than serving in a similar capacity to a governmental unit, as described in Revenue Ruling 74-99, you do not qualify for exemption under section 501(c)(4) of the Code.

If you are in agreement with this proposed determination, we request that you sign and return the enclosed agreement, Form 6018. Please note the instructions for signing on the reverse side of this form.

If you are not in agreement with this proposed determination, we recommend that you request a hearing with our 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, as explained in the enclosed Publication 892. 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, as a mutually convenient district office. A self-addressed envelope is enclosed.

Sincerely yours,

District Director

Enclosures:
Form 6018
Publication 892
Envelope

Code	Initials	Reviewer	Reviewed	Reviewed	Reviewed	Reviewed	Reviewed
	EP/EO; TS	EP/EO	D				
Surname							
Date	3-12-87	3-12-87					