

Internal Revenue Service
District Director

Department of the Treasury
401 West Peachtree NW,
[REDACTED]
Atlanta, GA 30365

EIN: [REDACTED]
FFN: [REDACTED]
Person to Contact:
[REDACTED]
Telephone Number:
[REDACTED]
Date:

MAY 23 1994

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

Dear Applicant:

We have considered your application for recognition of exemption from Federal income tax under section 501(c)(4) of the Internal Revenue Code.

The information submitted disclosed that you were incorporated under the non-profit laws of the State of [REDACTED] on [REDACTED]. Article [REDACTED] of your Articles of Incorporation states:

" The purposes of the corporation are:

- a. To ameliorate the relationship with the park owners and to ensure equitable and just actions and reactions in all decisions effecting homeowners.
- b. To coordinate recreational, social, and cultural activities for residents of [REDACTED].
- c. To establish a board of directors to oversee the administrative duties of the association to include:
 1. Meetings with two officers and the park owner to coordinate all association activities and to keep abreast of any developments that could affect homeowners.
 2. Periodic meetings with members to pass on information received and to receive input from members on anything that has developed of interest to, or concerning homeowners.
- d. To carry out and effect any corporate purpose enumerated in the Article of Incorporation of the association."

Article [REDACTED] of your Articles of Incorporation provide that any and all assets and financial interests shall be equally divided among all members who have paid their current dues upon dissolution or final liquidation of the corporation.

Membership in your organization is voluntary but limited to owners of mobile homes who rent or lease a lot within the development commonly known as [REDACTED] (hereinafter referred to as [REDACTED]), who pay their dues and assessments to your association. Each lot is allocated one vote. The mobile home park currently consists of [REDACTED] units of which [REDACTED] are represented by membership in your organization. During the next [REDACTED] to [REDACTED] years it is expected that the park will increase to [REDACTED] units.

Your current activities consist of representing all park homeowners in resolution of common issues with the park owner and assisting all homeowners in matters of park security, safety, and emergency preparedness. You are currently developing an emergency preparedness manual. Also, you are set up so that you may purchase the mobile home park facility and operate it if the owner should decide to sell the park in the future. You executed a Notice of Mobile Homeowners Association Right to Purchase on [REDACTED].

Your income is currently derived from membership fees and assessments and your expenses are normal administrative expenses for the operation of the organization.

You do not own or maintain common areas nor do you conduct activities directed to the exterior maintenance of private residences, the provision of security services, landscaping, garbage collection or social activities. These activities are either conducted by the park owner or are the responsibility of the individual homeowner.

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.

Revenue Ruling 74-99, 1974-1, C.B. 131 provides that for a homeowners' association to qualify under section 501(c)(4) of the Code, it must serve a "community" which bears a reasonable recognizable relationship to an area ordinarily identified as governmental; it must not conduct activities directed to the exterior maintenance of private residences; and the common areas or facilities it owns or maintains must be for the use and enjoyment of the general public. The ruling further provides that a community within the meaning of section 501(c)(4) of the Code and Regulations is not simply an aggregation of homeowners bound together in a structured unit formed as an integral part of a plan for the development of a real estate subdivision but has traditionally been construed as having reference to a geographical unit bearing a reasonably recognizable relationship to an area ordinarily identified as a governmental subdivision or a unit or district thereof.

Revenue Ruling 73-306, 1973-2 C.B. 179 provides that a non profit organization formed to represent member-tenants of an apartment complex in negotiations with the landlord in matters of mutual

concern to tenants does not qualify for exemption under section 501(c)(4) of the Code. The ruling further provides that the concept of social welfare implies a service or program directed at benefiting the community rather than a private group of individuals.

Revenue Ruling 73-349, 1973-2 C.B. 179 discusses an organization formed to provide business type services to its members on a cooperative basis at the lowest possible prices and states that it does not qualify under section 501(c)(4) as a social welfare organization because it operates for the private benefit of its members.

Based on the information submitted, your activities are limited to the homeowners of [REDACTED] which is a structured unit formed as an integral part of a plan for the development of a real estate venture similar to a subdivision. Therefore, the area you serve does not constitute a "community" within the meaning of section 501(c)(4). Further your organization represents the homeowners-tenants of [REDACTED] in negotiations with the owner which serves the interests of a private group of individuals. Also, you state that in the future you plan to purchase and operate [REDACTED] if it is offered for sale. The operation of a private cooperative enterprise for the economic benefit or convenience of your members further serves private interests. Finally, your assets upon dissolution or liquidation are to be distributed to the benefit of your members rather than being dedicated to social welfare purposes.

Accordingly, we conclude that you do not qualify for recognition of exemption under section 501(c)(4) of the Code or any other section of 501(a) and that you are required to file Federal income tax returns on Forms 1120.

If you do not agree with our determination, you may request that the Office of Regional Director of Appeals consider this matter. To do this, you should file a written appeal as explained in the enclosed Publication 892. Your appeal should give the facts, law and any other information to support your position. If you want a hearing, please request it when you file your appeal and we will contact you to arrange a date. The hearing may be held at the regional office, or, if you request, at any mutually convenient district office. If someone will represent you who is not one of your principal officers, that person will need to file a power of attorney or tax information authorization with us.

If you do not appeal this determination within 30 days from the date of this letter, as explained in Publication 892, this letter will become our final determination on this matter.

Sincerely,

[REDACTED]
[REDACTED]
District Director

Enclosure:
Pub 892