

Internal Revenue Service

Department of the Treasury

District
Director

[REDACTED]
Date: SEP 28 1988

Person to Contact:
[REDACTED]

Contact Telephone Number:
[REDACTED]

Refer Reply to:
[REDACTED]

CERTIFIED MAIL

Dear Applicant:

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

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

Your stated purposes are:

To carry out all of the obligations, duties, and responsibilities of the Association as set forth in [REDACTED], the Bylaws of [REDACTED], and by [REDACTED], and all amendments thereto, and all other powers necessary, desirable, or incidental fully to effectuate its corporate purposes, including but not limited to the power to enter into contracts of every kind and nature, the power to acquire real or personal property by grant, gift, demise, bequests, or purchase, and hold, manage, lease, mortgage, or dispose of such property as the purposes of the Corporation shall require.

The condominium is a [REDACTED] unit building at [REDACTED], [REDACTED]. Any person who owns a unit in the condominium is automatically a member of your homeowner's association.

Your activities consist of maintaining the condominiums common areas, such as; landscaping, trash collection, cleaning of hallways and laundry room, snow plowing of parking area, payment of common area electric, water and gas bills, painting, general repair and the payment of annual liability and workers compensation insurance.

Your sources of income are assessments of members and interest from checking and savings accounts.

Section 501(c)(4) of the Internal Revenue 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)(i) of the Income Tax Regulations provides that an organization is operated exclusively for the promotion of social welfare if it primarily engages in promoting in some way the common good and general welfare of the people of the community.

The concept of social welfare implies a service or program directed at benefitting the community rather than a private group of individuals.

Rev. Rul. 74-17, 1974-1 C.B. 130 states that an association formed by unit owners of a condominium housing project and was operated to provide for the management, maintenance, and care of the common areas of the project did not qualify for exemption under Section 501(c)(4) of the Internal Revenue Code.

Revenue Ruling 74-99, 1974-1 C.B. 131 states that a homeowners association must, in addition to otherwise qualifying for exemption under section 501(c)(4) of the Code, satisfy the following requirements: (1) It must engage in activities that confer benefit on a community comprising a geographical unit which bears a reasonably recognizable relationship to an area ordinarily identified as a governmental subdivision or a unit or district thereof;...and (3) It owns and maintains only common areas or facilities such as roadways and parklands, sidewalks and street lights, access to, or the use and enjoyment of which is extended to members of the general public and is not restricted to members of the homeowners association.

Like the organization described in Rev. Rul. 74-17, you are an association of unit owners of a condominium that was formed for the management, maintenance, and care of the common areas of the condominium. The condominium is not within the meaning of "community" as described in Rev. Rul. 74-99.

Accordingly, we conclude that you do not meet the requirements for exempt status under section 501(c)(4) 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).

It appears that your organization may elect to file under section 528 to receive certain tax benefits which, in effect, permit the exclusion of exempt function income from gross income. The election to file under section 528 is to be made by filing Form 1120-H, U.S. Income Tax Return for Homeowners Associations. However, if you do not elect to file under section 528, you are required to file Federal income tax returns on Form 1120.

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,

A solid black rectangular box redacting the signature of the District Director.

District Director

Enclosure: Publication 892