

[Redacted]

25 FEB 1982

Dear Applicant:

We have considered your application for recognition of exemption from Federal income tax under section 501(c)(3) of the Internal Revenue Code.

You were incorporated [Redacted], under the non-profit corporation laws of the State of [Redacted].

Your purposes, as stated in Article III of your Articles of Incorporation, are, "to provide each stockholder in said corporation with the right to occupy, for dwelling purposes, a house or apartment in a building owned or leased by said corporation."

Your sources of financial support will be: (1) stock purchases, (2) homeowners assessments, (3) rents, (4) donations & (5) grants. You will have only "one class of stock outstanding. Each stockholder shall be entitled by reason of his stock ownership, to occupy for dwelling purposes, a house or an apartment in a building owned or leased by this corporation. The interest of each stockholder shall be inseverable from and appurtenant to the right of occupancy, and shall be deemed an estate in real property."

Article VIII of your Articles of Incorporation states, "No stockholder shall be entitled to receive any distribution not out of earnings and profits of the corporation except on a complete or partial liquidation of the Corporation."

Section 501(c)(3) of the Code provides exemption for:

"Corporations...organized and operated exclusively for religious, charitable,...or educational purposes,...no part of the net earnings of which inures to the benefit of any private shareholder or individual..."

Section 1.501(c)(3)-1 of the regulations provides, in part, as follows:

Code	Initiator	Reviewer	Reviewer	Reviewer	Reviewer	Reviewer
		[Redacted]				
Surname		[Redacted]				
Date		2/25/82				

"(a)(1) In order to be exempt as an organization described in section 501(c)(3), an organization must be both organized and operated exclusively for one or more of the purposes specified in such section. If an organization fails to meet either the organizational test or the operational test, it is not exempt."

"(a)(2) The term "exempt purpose or purposes," as used in this section, means any purpose or purposes specified in section 501(c)(3), as defined and elaborated in paragraph (d) of this section."

"(b)(1)(i) An organization is organized exclusively for one or more exempt purposes only if its articles of organization (referred to in this section as its "articles") as defined in subparagraph (2) of this paragraph:

(a) Limit the purposes of such organization to one or more exempt purposes; and

(b) Do not expressly empower the organization to engage, otherwise than as an insubstantial part of its activities, in activities which in themselves are not in furtherance of one or more exempt purposes."

"(b)(1)(iii) An organization is not organized exclusively for one or more exempt purposes if its articles expressly empower it to carry on, otherwise than as an insubstantial part of its activities, activities which are not in furtherance of one or more exempt purposes, even though such organization is, by the terms of such articles, created for a purpose that is no broader than the purposes specified in section 501(c)(3).  
\*\*\* "

"(b)(4) Distribution of assets on dissolution. An organization is not organized exclusively for one or more exempt purposes unless its assets are dedicated to an exempt purpose. An organization's assets will be considered dedicated to an exempt purpose, for example, if, upon dissolution, such assets would, by reason of a provision in the organization's articles or by operation of law, be distributed for one or more exempt purposes, or to the Federal Government, or to a State or local government, for a public purpose, or would be distributed by a court to another organization to be used in such manner as in the judgment of the court will best accomplish the general purposes for which the dissolved organization was organized. However, an organization does not meet the organizational test if its articles or the law of the State in which it was created provide that its assets would, upon dissolution, be distributed to its members or shareholders."

"(c)(2)Distribution of earnings. An organization is not operated exclusively for one or more exempt purposes if its net earnings inure in whole or in part to the benefit of private shareholders or individuals."

Since you have no bylaws we are unable to determine the manner in which you will operate, the requirements for membership, voting rights of members and/or stockholders, dues to be paid by members, dividends to be paid to stockholders, officers of the corporation, the manner in which they will be elected, and the duties they will perform.

Your organization will function in order to be the owner and operator of a cooperative housing project for low and moderate income elderly persons. Once the building is operating and occupied you will be responsible for all operation, management and ownership functions as determined by the residents of the building. Specifically you will (1) provide cooperative housing to low and moderate income elderly persons (2) provide management services such as maintenance, repair, upkeep, book-keeping, record-keeping, payment of bills due and (3) provide limited laundry, social amenities and a meal site.

Based on the information submitted we have determined that you do not qualify for exemption from Federal income tax under the provisions of section 501(c)(3) of the Code because you are operated primarily for the benefit of your Tenant-Stockholders.

If you agree with these conclusions or do not wish to file a written protest, please sign and return Form 6018 in the enclosed self-addressed envelope as soon as possible.

If you do not agree with these conclusions, you may, within 30 days from the date of this letter, file in duplicate a brief of the facts, law, and argument that clearly sets forth your position. If you desire an oral discussion of the issue, please indicate this in your protest. The enclosed Publication 892 gives instructions for filing a protest.

If you do not file a protest with this office within 30 days of the date of this report or letter, this proposed determination will become final.

If you do not protest this proposed determination in a timely manner, it will be considered by the Internal Revenue Service as a failure to exhaust available administrative remedies. Section 7428(b)(2) of the Internal Revenue Code provides in part that, "A declaratory judgment or decree under this section shall not be issued in any proceeding unless the Tax Court, the Court of Claims, or the district court of the United States for the District of Columbia determines that the organization involved has exhausted administrative remedies available to it within the Internal Revenue Service."

[REDACTED]

If this determination letter becomes a final determination, we will notify the appropriate State Officials, as required by section 6104(c) of the Code, that based on the information we have, we are unable to recognize you as an organization of the type described in Code section 501(c)(3).

If you have any further questions, please contact the person whose name and telephone number are shown at the beginning of this letter.

Sincerely yours,

[REDACTED]  
District Director

Enclosures:  
Form 6018  
Publication 892