

ADMIN. FILE

[REDACTED]

OCT 0 7 1980

Gentlemen:

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

Information submitted with your application shows that you were incorporated [REDACTED], to own, manage, operate, repair, maintain, improve, protect, and govern the affairs of the Project Property of [REDACTED] for the exclusive benefit of each individual ownership unit owner in [REDACTED].

Each owner of a condominium unit is automatically a member of the Corporation. Each owner is required to pay a regular monthly charge and assessment for the common expenses.

Additional information submitted indicates that you maintain the exterior walls of all buildings as part of the common area. You also have [REDACTED] swimming pools which you maintain for your members. None of your common areas and facilities are open to the general public.

Section 501(c)(4) of the Internal Revenue Code provides exemption for:

"Civic leagues or organizations not organized for profit but operated exclusively for the promotion of social welfare, or local associations of employees, the membership of which is limited to the employees of a designated person or persons in a particular municipality, and the net earnings of which are devoted exclusively to charitable, educational or recreational purposes."

Section 1.501(c)(4)-1 of the regulations provides, in part, as follows:

"In general. A civic League or organization may be exempt as an organization described in section 501(c)(4) if -

DATE	INITIALS	REVIEWER	REVIEWER	REVIEWER	REVIEWER	REVIEWER	REVIEWER
		[REDACTED]	[REDACTED]				
SUR NAME							

"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 embraced within this section is one which is operated primarily for the purpose of bringing about civic betterments and social improvements.

Revenue Ruling 74-99, 1974-1 Cumulative Bulletin 131, holds that in order for a homeowners' association to qualify for exemption under section 509(c)(4) of the Code, it must have the following characteristics:

1. The organization must serve a "community" which bears a reasonable, 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 areas or facilities must be for the use and enjoyment of the public, as distinguished from controlled use or access restricted to the members of the homeowners' association.

Revenue Ruling 69-280, 1969-1 Cumulative Bulletin 152, holds that a nonprofit organization formed to provide maintenance of exterior walls and roofs of homes of members who own houses in a development is not exempt as a social welfare organization under section 501(c)(4) of the Code.

Revenue Ruling 74-17, 1974-1 Cumulative Bulletin 130, holds that an organization formed by unit owners of a condominium to provide for the management, maintenance, and care of the common areas, with membership assessments paid by the unit owners does not qualify for exemption.

Based on the information submitted, we have concluded that you do not meet the requirements for exemption under section 501(c)(4) of the Code. You are organized for the exclusive benefit of each individual condominium owner. Your facilities are not open to the general public as required by Revenue Ruling 74-99. You maintain the exterior walls and roofs of individual dwelling units similar to Revenue Ruling 69-280. Finally, you are organized and operated in a manner similar to Revenue Ruling 74-17.

Accordingly, it is held that you are not entitled to exemption from Federal income tax under section 501(c)(4) of the Code and are required to file income tax returns on Form 1120 or Form 1120-H.

[REDACTED]

As a homeowner's association, you may qualify for treatment under section 528. In this letter we are not ruling on the question of whether you qualify for treatment under section 528. However, if you believe you qualify for such treatment, you should file Form 1120-H when due.

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 we do not hear from you within 30 days, this letter will be our determination in the matter.

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.

Sincerely,

[REDACTED]
Acting District Director

Enclosures:
Publication 892
Publication 588
Form 6018