Internal Revenue Service

District
Director

Department of the Treasury
P. O. Box 13163
Baltimore, MD 21203

[redacted]

Person to Contact:
[redacted]
Telephone Number:
[redacted]
Refer Reply to:
EO:Review
Date:
FEB 11 1987

Dear Applicant:

We have completed our review of the application for recognition of exemption under section 501(c)(4) of the Internal Revenue Code which you recently filed.

The evidence submitted indicates that you were formed [redacted] for the purpose of caring for the property which is owned by individual condominium unit owners. The services provided include insurance, road and lawn maintenance, trash and snow removal and maintenance of the exterior portions of all units.

Income to your organization comes from monthly assessments charged to each unit owner. Expenses are for the items stated above.

Section 501(c)(4) of the Internal Revenue Code provides for the exemption from Federal income tax to "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."

Income Tax regulations section 1.501(c)(4)-1(a) states that an organization described in this section must not be organized or operated for profit, and must be operated exclusively for the promotion of social welfare. 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 74-17 concerns the tax status of condominium housing associations. In this ruling, an organization was 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. Its income came from membership assessments and its disbursements were for normal operating expenses.

Under a condominium system of ownership, the rights, duties, privileges and immunities of the members of the association derive from and are established by statutory and contractual provisions. These rights are necessarily tied to ownership of property. In addition, condominium ownership also involves the maintenance and care of many common areas which constitute the provision of private benefits for unit owners. Under these circumstances, Revenue Ruling 74-17 holds that the organization does not qualify for exempt status under section 501(c)(4) because the association is primarily benefiting the owners and not providing for the social welfare of the community as a whole.

Our review of the information submitted indicates that your organization is operated in essentially the same manner as the entity described in Revenue Ruling 74-17. Since the major objective is to provide maintenance to outside areas and property which is individually and privately owned, your organization does not qualify for exemption under section 501(c)(4) of the Code or any other section.

As a condominium association, however, your activities are better described in section 528 of the Internal Revenue Code. We have included a copy of this section which explains what an organization such as yours must do to meet its legal obligations under the Code.

Since you are an entity described in section 528, you are required to file Federal income tax returns on Form 1120H.

You have the right to appeal this determination if you believe it is incorrect. To appeal, please refer to the enclosed Publication 892.

If you do not appeal this proposed determination within 30 days from the date of this letter, this action will be final.

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

Sincerely yours,

[redacted]

District Director

Enclosures:
Publication 892
Code Section 528
Form 1120H