



Department of the Treasury
Internal Revenue Service
Tax Exempt and Government Entities
PO Box 2508
Cincinnati, OH 45201

Number: **202135009**
Release Date: 9/3/2021

Date: June 9, 2021

Employer ID number:

Form you must file:

Tax years:

Person to contact:

Name:

ID number:

Telephone:

UIL: 501.04-00

Dear _____:

This letter is our final determination that you don't qualify for exemption from federal income tax under Internal Revenue Code (IRC) Section 501(a) as an organization described in IRC Section 501(c)(4). Recently, we sent you a proposed adverse determination in response to your application. The proposed adverse determination explained the facts, law, and basis for our conclusion, and it gave you 30 days to file a protest. Because we didn't receive a protest within the required 30 days, the proposed determination is now final.

You must file the federal income tax forms for the tax years shown above within **30 days** from the date of this letter unless you request an extension of time to file. For further instructions, forms, and information, visit www.irs.gov.

We'll make this final adverse determination letter and the proposed adverse determination letter available for public inspection after deleting certain identifying information, as required by IRC Section 6110. Read the enclosed Notice 437, Notice of Intention to Disclose, and review the two attached letters that show our proposed deletions. If you disagree with our proposed deletions, follow the instructions in the Notice 437 on how to notify us. If you agree with our deletions, you don't need to take any further action.

If you have questions about this letter, you can call the contact person shown above. If you have questions about your federal income tax status and responsibilities, call our customer service number at 800-829-1040 (TTY 800-829-4933 for deaf or hard of hearing) or customer service for businesses at 800-829-4933.

Sincerely,

Stephen A. Martin
Director, Exempt Organizations
Rulings and Agreements

Enclosures:

Notice 437

Redacted Letter 4034

Redacted Letter 4038



Department of the Treasury
Internal Revenue Service
P.O. Box 2508
Cincinnati, OH 45201

Date: April 13, 2021

Employer ID number:

Contact person/ID number:

Contact telephone number:

Contact fax number:

Legend:

W = Date
X = State
Y = City
Z = Community
m = number

UIL:

501.04-00

Dear _____ :

We considered your application for recognition of exemption from federal income tax under Internal Revenue Code (IRC) Section 501(a). We determined that you don't qualify for exemption under IRC Section 501(c)(4). This letter explains the reasons for our conclusion. Please keep it for your records.

Issues

Do you qualify for exemption under IRC Section 501(c)(4)? No, for the reasons stated below.

Facts

You incorporated as a mutual benefit corporation on W, in the state of X. Your restated Articles of Incorporation and Bylaws indicate your purpose is to primarily provide security services to the community referred to as Z, located within Y, X. You are not a membership organization.

You collect voluntary donations from the private homeowners in your community and engage a third-party security company to provide security services for these private homeowners. The daily services include uniformed officers, property monitors, and marked patrol vehicles, etc. The private security company may summon police services, fire services, or hazardous material services, on your behalf, if needed. Your contract with the security company provides that the patrol be limited to Z, located within the City of Y.

Your community has over m number privately owned houses, several trails, viewpoints and rest areas. You do not own or maintain the common areas. The common areas are owned and maintained by the local city government. You state that there are no voting rights as you are not a HOA (Homeowners Association).

Law

IRC Section 501(c)(4) 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 and the net earnings of which are devoted exclusively to charitable, educational, or recreational purposes.

Treasury Regulation Section 1.501(c)(4)-1(a)(2)(i) 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. An organization embraced within this section is one which is operated primarily for the purpose of bringing about civic betterments and social improvements.

Rev. Rul. 74-99, 1974-1 C.B. 131 provides that a community within the meaning of IRC Section 501(c)(4) and the 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 and the sale and purchase of homes therein. Although an exact delineation of the boundaries of a "community" contemplated by Section 501(c)(4) is not possible, the term as used in that section 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.

Rev. Rul. 75-386, 1975-2 C.B. 211 held that a nonprofit organization that contracts with a private firm to provide the community with security patrols assisted by guard dogs, works to improve public services, housing, and residential parking, and that publishes a newspaper distributed free of charge to all community residents and sponsors a community basketball league, holiday programs, and meetings of community residents is operated exclusively for the promotion of social welfare and qualifies for exemption under IRC Section 501(c)(4).

Rev. Rul. 77-273, 1977-2 C.B. 195 concerned an organization that provides security services for residents and property owners of a particular community whose residents donate money at a specified hourly rate to pay for the services. The ruling found that an entity providing private security services, such as emergency rescue, guards for homes, businesses and construction projects, on a regular basis in return for certain compensation was carrying on a business with the general public in a manner similar to organizations operated for profit. The fact that the organization occasionally provided free services did not satisfy the requirements of the regulations.

Application of law

You are not a social welfare organization exempt under IRC Section 501(c)(4) because your services are limited to the private homeowners who reside in the Z, a subdivision within the City of Y, X. A social welfare organization must be operated for the benefit of the general public by providing a community benefit to qualify for exemption under Section 501(c)(4).

According to Treas. Reg. Sec. 1.501(c)(4)-1(a)(2)(i), an organization is operated 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. The area in which you provide services is a particular subdivision within the City rather than the community as a whole. See Rev. Rul. 74-99. You provide security service for the private homeowners within this subdivision, thus conferring a private benefit to these specified private homeowners.

You serve the individual interests of the private homeowners. You are similar to the organization described in Rev. Rul. 77-273, because your services are for the benefit of the private homeowners within a subdivision.

You are not like the organization described in Revenue Ruling 75 386 since they served an entire community and benefits were extended to both members and nonmembers on equal terms.

Conclusion

Since the benefits provided by you are limited to the local m number plus homeowners, you are not operated exclusively for the promotion of social welfare within the meaning of IRC Section 501(c)(4).

If you agree

If you agree with our proposed adverse determination, you don't need to do anything. If we don't hear from you within 30 days, we'll issue a final adverse determination letter. That letter will provide information on your income tax filing requirements.

If you don't agree

You have a right to protest if you don't agree with our proposed adverse determination. To do so, send us a protest within 30 days of the date of this letter. You must include:

- Your name, address, employer identification number (EIN), and a daytime phone number
- A statement of the facts, law, and arguments supporting your position
- A statement indicating whether you are requesting an Appeals Office conference
- The signature of an officer, director, trustee, or other official who is authorized to sign for the organization or your authorized representative
- The following declaration:

For an officer, director, trustee, or other official who is authorized to sign for the organization:

Under penalties of perjury, I declare that I have examined this request, or this modification to the request, including accompanying documents, and to the best of my knowledge and belief, the request or the modification contains all relevant facts relating to the request, and such facts are true, correct, and complete.

Your representative (attorney, certified public accountant, or other individual enrolled to practice before the IRS) must file a Form 2848, Power of Attorney and Declaration of Representative, with us if they haven't already done so. You can find more information about representation in Publication 947, Practice Before the IRS and Power of Attorney.

We'll review your protest statement and decide if you gave us a basis to reconsider our determination. If so, we'll continue to process your case considering the information you provided. If you haven't given us a basis for reconsideration, we'll send your case to the Appeals Office and notify you. You can find more information in Publication 892, How to Appeal an IRS Decision on Tax-Exempt Status.

If you don't file a protest within 30 days, you can't seek a declaratory judgment in court later because the law requires that you use the IRC administrative process first (IRC Section 7428(b)(2)).

Where to send your protest

Send your protest, Form 2848, if applicable, and any supporting documents to the applicable address:

U.S. mail:

Internal Revenue Service
EO Determinations Quality Assurance
Mail Stop 6403
P.O. Box 2508
Cincinnati, OH 45201

Street address for delivery service:

Internal Revenue Service
EO Determinations Quality Assurance
550 Main Street, Mail Stop 6403
Cincinnati, OH 45202

You can also fax your protest and supporting documents to the fax number listed at the top of this letter. If you fax your statement, please contact the person listed at the top of this letter to confirm that they received it.

You can get the forms and publications mentioned in this letter by visiting our website at www.irs.gov/forms-pubs or by calling 800-TAX-FORM (800-829-3676). If you have questions, you can contact the person listed at the top of this letter.

Contacting the Taxpayer Advocate Service

The Taxpayer Advocate Service (TAS) is an independent organization within the IRS that can help protect your taxpayer rights. TAS can offer you help if your tax problem is causing a hardship, or if you've tried but haven't been able to resolve your problem with the IRS. If you qualify for TAS assistance, which is always free, TAS will do everything possible to help you. Visit www.taxpayeradvocate.irs.gov or call 877-777-4778.

Sincerely,

Stephen A. Martin
Director, Exempt Organizations
Rulings and Agreements