



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

Date:  
05/19/2022  
Employer ID number:

Tax years:

Person to contact:

Number: **202232021**  
Release Date: 8/12/2022

**UIL: 501.00-00, 501.06-00, 501.06-01**

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)(6). 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](http://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 Letter 437, Notice of Intention to Disclose - Rulings, and review the two attached letters that show our proposed deletions. If you disagree with our proposed deletions, follow the instructions in the Letter 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:  
Letter 437  
Redacted Letter 4034  
Redacted Letter 4038



**Department of the Treasury**  
**Internal Revenue Service**  
PO Box 2508  
Cincinnati, OH 45201

**Date:**  
March 17, 2022  
**Employer ID number:**

**Person to contact:**

**Phone:**  
**Fax:**

**Legend:**

B = state  
D = date  
G = location

**UIL:**

501.00-00  
501.06-00  
501.06-01

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)(6). This letter explains the reasons for our conclusion. Please keep it for your records.

**Issues**

Do you qualify for exemption under Section 501(c)(6) of the Code? No, for the reasons stated below.

**Facts**

You incorporated in B on D. Your Articles of Incorporation state that you are organized in connection with a certain "Declaration of Easements, Covenants, Conditions and Restrictions" for G, Area 2. Your By-Laws state you are formed for the purpose of acquiring, constructing, maintaining and caring for the assets, for collecting all assessments for Common Expenses from Owners, for accepting any assignment of rights, powers and reservations, for managing the Common Areas, and for engaging in all lawful activities.

The sole qualification for classification as a Member is ownership of a "Parcel" of land within Area 2 of the G. Assets will be distributed on dissolution to members based on their pro rata ownership of property. As there has yet to be any development done on G, there are currently no owners and therefore no contracts, agreements or income from assessments.

You will acquire, construct, maintain and care for all assets. You will collect all assessments for common expenses from owners and manage all common areas. You will be responsible for road maintenance, lighting of roads, drainage ditches, landscaping, roadway repairs, cleaning and maintaining retention ponds on site. You will bill tenants of the buildings for all maintenance activities. You will collect monies from building owners according to a pro-rata share of attributable expenses and tenants may be responsible for their portions through common area maintenance reconciliation according to their leases.

In the future, you will acquire real property interests in the common areas of Area 2 of G, such as fee title or easement rights to private roads, detention ponds, utility facilities, landscaped areas, signage, and similar appurtenances. You may also acquire equipment or other personal use in connection with the operation and maintenance of those common areas, such as land scaping equipment or bulbs and ballasts for common area lighting.

**Law**  
Section 501(c)(6) of the Internal Revenue Code of 1986 provides exemption from Federal income tax for “Business leagues, chambers of commerce, real-estate boards, boards of trade, or professional football leagues (whether or not administering a pension fund for football players), not organized for profit and no part of the net earnings of which insures to the benefit of any private shareholder or individual.”

Section 1.501(c)(6)-1 of the Income Tax Regulations states that “A business league is an association of persons having some common business interests, the purpose of which is to promote such common interest and not to engage in a regular business other kind ordinarily carried on for profit. It is an organization of the same general class as a chamber of commerce or board of trade. Thus, its activities should be directed to the improvement of business conditions of one or more lines of business as distinguished from the performance of particular services for individual persons.

Revenue Ruling 58-294, 1958-1 C.B. 244, holds that an association of licensed dealers in a certain type of patented product did not qualify as a business league under IRC Section 501(c)(6). The association in this ruling owned the controlling interest in the corporation that held the basic patent of the product, it engaged mainly in furthering the business interests of its member dealers, and it did not benefit businesses that manufactured competing product of the same type covered by the patent.

Revenue Ruling 67-295, 1967-2 C.B. 197, states that an organization, composed of businessmen, may qualify for exemption where its activities are limited to holding luncheon meetings devoted to a discussion, review, and consideration of the various problems in a particular industry directed to the improvement of business conditions for the industry as a whole.

Revenue Ruling 67-176; 1967-1 C.B. 140, indicated that an organization formed to provide specific services to members of a given profession in the form of loans, insurance, etc. on matters relating to their practices did not qualify for exemption under section 501(c)(6) of the Code.

Revenue Ruling 68-264, 1968 1 C.B. 264, defines a particular service for the purposes of IRC Section 501(c)(6) as being an activity that serves as a convenience or economy to the members of the organization in the operation of their businesses.

In Indiana Retail Hardware Ass'n., Inc. v. United States, 177 Ct. Cl. 288, 366 F.2d 998 (1966), the Court held that when conducting particular services for members is a substantial activity of an organization, the organization will be precluded from exemption under Section 501(c)(6) of the Code.

### **Application of law**

You are not a business league as described in IRC Section 501(c)(6) and Treas. Reg. Section 1.501(c)(6)-1 because your activities are not directed to the improvement of business conditions of one or more lines of business and you are formed to provide particular services to your members.

Unlike the organization described in Rev. Rul. 67-295, your activities do not address the various problems in a particular industry and are not directed to the improvement of business conditions for that industry as a whole. Rather, you are like the organization described in Rev. Rul. 58-294. You collect assessments to acquire, construct, maintain and care for the assets associated with G for the benefit of property owners within this area. You are formed and operated to further the interests of property owners within Area 2 of G, and not for the improvement of conditions in the industry.

Revenue Ruling 68-264 defines a particular service as being an activity that serves as a convenience or economy to the members of the organization. An organization formed to provide specific services to members of a given profession does not qualify for exemption under IRC Section 501(c)(6). (Revenue Ruling 67-176 and Indiana Retail Hardware Ass'n). You are formed to acquire and care for assets of related property owners. You are responsible for maintenance of property and surrounding areas for the benefit of these member/owners. An activity that serves as a convenience or economy to members in the operation of their businesses is a particular service. Because your primary activity is providing services to your members, you are not exempt under Section 501(c)(6).

### **Conclusion**

Based on the information provided, you fail to qualify for exemption under IRC Section 501(c)(6) because you provide services to your members that further their private interests and are not directed toward the improvement of business conditions of one or more lines of business. Accordingly, you do not qualify for exemption under Section 501(c)(6).

### **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 Determination 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  
PO 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](http://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](http://www.taxpayeradvocate.irs.gov) or call 877-777-4778.

Sincerely,

Stephen A. Martin  
Director, Exempt Organizations  
Rulings and Agreements