



**Department of the Treasury
Internal Revenue Service
Tax Exempt and Government Entities**

Date:
07/22/2025
Employer ID number:

Form you must file:

Tax years:

Person to contact:

Release Number: 202549021
Release Date: 12/05/2025
UIL Code: 501.00-00, 501.03-00, 501.03-30, 501.33-00

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)(3). 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.

Because you don't qualify as a tax-exempt organization under IRC Section 501(c)(3), donors generally can't deduct contributions to you under IRC Section 170.

We may notify the appropriate state officials of our determination, as required by IRC Section 6104(c), by sending them a copy of this final letter along with the proposed determination letter.

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 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
Letter 4038



**Department of the Treasury
Internal Revenue Service**

Date:
05/23/2025
Employer ID number:

Person to contact:
Name:
ID number:
Telephone:
Fax:

Legend:

B = Date
C = State
D = County
E = Number
x dollars = dollar amount

UIL:
501.00-00
501.03-00
501.03-30
501.33-00

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)(3). 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)(3)? No, for the reasons stated below.

Facts

You submitted Form 1023-EZ, Streamlined Application for Recognition of Exemption Under Section 501(c)(3) of the Internal Revenue Code. You attest that you were formed as a corporation on B, in the state of C. You attest that you have the necessary organizing document, that your organizing document limits your purposes to one or more exempt purposes within the meaning of the IRC Section 501(c)(3), that your organizing document does not expressly empower you to engage in activities, other than an insubstantial part, that are not in furtherance of one or more exempt purposes, and that your organizing document contains the dissolution provision required under Section 501(c)(3).

You attest that you are organized and operated exclusively to further charitable purposes. You attest that you have not conducted and will not conduct prohibited activities under IRC Section 501(c)(3). Specifically, you attest you will:

- Refrain from supporting or opposing candidates in political campaigns in any way

- Ensure that your net earnings do not inure in whole or in part to the benefit of private shareholders or individuals
- Not further non-exempt purposes (such as purposes that benefit private interests) more than insubstantially
- Not be organized or operated for the primary purpose of conducting a trade or business that is not related to your exempt purpose(s)
- Not devote more than an insubstantial part of your activities attempting to influence legislation or, if you made a Section 501(h) election, not normally make expenditures in excess of expenditure limitations outlined in Section 501(h)
- Not provide commercial-type insurance as a substantial part of your activities

On your 1023-EZ application you state that your activities include repairing and maintaining the streets in your neighborhood. You will provide street lighting and ensure adequate storm water outflows. These activities further your purpose of ensuring the common benefit and enjoyment of residents within your properties.

Detailed information was subsequently requested. You are located in D and have E homeowners as members. Your activities ensure the integrity of the common properties in your neighborhood which include the playground area, streets, security lighting, storm water removal systems, signage and planting areas. Your purpose is to achieve the common benefit, safety, and enjoyment of the shared common areas for your members.

All homeowners, who participate 100%, are members and vote annually to appoint your Board. The primary role of your Board is to manage the main purposes and activities as stated above. Activities are funded solely through annual member dues which are currently x dollars and are determined by your Board. You have no paid employees and all work is performed by outside contractors.

Law

IRC Section 501(c)(3) provides for the recognition of exemption of organizations that are organized and operated exclusively for religious, charitable, educational, prevention to cruelty to children or animals, to foster national or international amateur sports competition, or other purposes as specified in the statute. No part of net earnings may inure to the benefit of any private shareholder or individual.

Treasury Regulation Section 1.501(c)(3)-1(a)(1) provides that in order to qualify for exemption, an organization must be both organized and operated exclusively for one or more exempt purposes. If an organization fails to meet either the organizational test or the operational test, it is not exempt.

Treas. Reg. Section 1.501(c)(3)-1(c)(1) states that an organization will be regarded as “operated exclusively” for one or more exempt purposes only if it engages primarily in activities which accomplish one or more of such exempt purposes specified in IRC Section 501(c)(3). An organization will not be so regarded if more than an insubstantial part of its activities is not in furtherance of an exempt purpose.

Treas. Reg. Section 1.501(c)(3)-1(d)(1)(ii) provides that an organization is not organized or operated exclusively for exempt purposes unless it serves a public rather than a private interest. To meet this requirement, it is necessary for an organization to establish that it is not organized or operated for the benefit of private interests such as designated individuals, the creator or his family, shareholders of the organization, or persons controlled, directly or indirectly, by such private interests.

Revenue Ruling 67-367, 1967-2 C.B. 188, held an organization that pays 'scholarships' to pre-selected, specifically named individuals designated by subscribers, is serving private interests rather than public charitable and educational interests contemplated under IRC Section 501(c)(3) and does not qualify for exemption.

Rev. Rul. 69-175, 1969-1 C.B. 149, described an organization formed by parents of pupils attending a private school. The organization provided school bus transportation for its members' children. The organization's income approximately equaled the expenses involved in its operations. When a group of individuals associate to provide a cooperative service for themselves, they are serving a private interest. By providing bus transportation for school children, the organization enabled the participating parents to fulfill their individual responsibility of transporting their children to school. Thus, the organization served a private rather than a public interest. Accordingly, it was not exempt from federal income tax under IRC Section 501(c)(3).

Rev. Rul. 75-286, 1975-2 C.B. 210, held that a nonprofit organization with membership limited to the residents and business operators within a city block and formed to preserve and beautify the public areas in the block, thereby benefiting the community as a whole as well as enhancing the members' property rights, will not qualify for exemption under IRC Section 501(c)(3) because the organization was organized and operated for the benefit of private interests by enhancing the value of members' property.

Rev. Rul. 78-85, 1978-1 C.B. 150, held that an organization with membership open to the general public that was formed by residents of a city to help preserve, beautify, and maintain a public park located in a heavily trafficked, easily accessible section of the city that was commonly used by citizens of the entire city qualified for exemption under IRC Section 501(c)(3).

In Better Business Bureau of Washington D.C., Inc. v. United States, 326 U.S. 279 (1945), the Supreme Court held that the presence of a single non-exempt purpose, if substantial in nature, will destroy the exemption regardless of the number or importance of truly exempt purposes. Thus, the operational test standard prohibiting a substantial non-exempt purpose is broad enough to include inurement, private benefit, and operations that further nonprofit goals outside the scope of IRC Section 501(c)(3).

Application of law

IRC Section 501(c)(3) and Treas. Reg. Section 1.501(c)(3)-1(a)(1) set forth two main tests for qualification of exempt status. An organization must be both organized and operated exclusively for purposes described in Section 501(c)(3). You are not operating "exclusively" for exempt purposes as required by Treas. Reg. Section 1.501(c)(3)-1(c)(1). More than an insubstantial part of your activities include providing benefits to your membership. This activity serves the private interest of your members, rather than a public interest as required by Treas. Reg. Section 1.501(c)(3)-1(d)(1)(ii).

Rev. Rul. 67-367, Rev. Rul. 69-175, and Rev. 75-286 share a similar fact pattern:

- A limited membership,
- Dues paid for membership, and
- Benefits provided to the members.

Given those facts, each of the rulings held the organization served private interests rather than the public interest. You share the same fact pattern of a limited membership, dues paid for membership, and benefits provided to members, and you serve the private interest of your members rather than the public interest.

You are not like the organization described in Rev. Rul. 78-85 because you are not engaged in preserving or maintaining public property. The organization in this ruling was formed by residents of a city to help preserve, beautify, and maintain a public park located in a heavily trafficked, easily accessible section of the city that was commonly used by citizens of the entire city. In contrast, you were formed by homeowners in a certain neighborhood for the common benefit, safety, and enjoyment of the shared common areas for your members.

You are like the organization described in Better Business Bureau of Washington, D.C., Inc. because your activities result in a substantial non-exempt purpose. Although you may have some IRC Section 501(c)(3) purposes, your activities result in substantial private benefit to your members. A single non-exempt purpose, if substantial in nature, will destroy the exemption regardless of number or importance of truly exempt purposes.

Conclusion

Based on the above facts and analysis, you do not meet the operational test. You are operated for the substantial non-exempt purpose of serving the private interests of your members. Thus, you do not qualify for IRC Section 501(c)(3).

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 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