



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

**Date:**  
11/12/2025  
**Employer ID number:**

**Form you must file:**

**Tax years:**

**Release Number:** 202606002  
**Release Date:** 2/6/2026  
**UIL Code:** 501.00-00, 501.07-00

**Person to contact:**

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)(7). 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.

We sent a copy of this letter to your representative as indicated in your power of attorney.

Sincerely,

Stephen A. Martin  
Director, Exempt Organizations  
Rulings and Agreements

**Enclosures:**  
Letter 437  
Redacted Letter 4034  
Redacted Letter 4038

**cc:**



**Department of the Treasury  
Internal Revenue Service**

**Date:**  
09/24/2025  
**Employer ID number:**

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

**Legend:**

B = Date  
C = State

**UIL:**  
501.00-00  
501.07-00

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

**Facts**

You were incorporated on B, in the state of C. Your Articles state that "the association is organized to provide a means of administering the subdivision by the owners thereof." Your Bylaws state that your purpose is "... to promote and further the interest and general welfare of the community, to create a friendly spirit amongst its own members, and to reach out to other citizens of the community and town with worthwhile activities." Your bylaws state that your responsibilities include:

- Creating a budget
- Maintaining the common property and common elements
- Assessing members for common expenses
- Enforcing the Bylaws, rules and regulations
- Paying the common expenses from assessments
- Contracting for the provision of such insurance and maintenance services
- Maintaining the books and records
- Scheduling meetings of the membership
- Taking such other actions as may be reasonably required to meet the obligations

In your application for exemption, you describe your activities as maintenance, clean-up and repair of association property, maintenance of roads, paying taxes, insurance, sign expenses, beach toilet, and professional services expenses related to the upkeep of the property. You state that you are a private

community, and in order to qualify for membership, the members must own property or a lot within the subdivision and be in good standing.

You explained that you're a nonprofit HOA developed to further the interests and general welfare of your community. You don't own or maintain any homes, but you do own the road and the common area properties including the beach. The members pay for the maintenance and upkeep of the common property with their yearly assessment fees.

You are funded by annual membership fees. Your biggest annual expense is for road repairs, followed by insurance and beach repairs/maintenance.

#### **Law**

Internal Revenue Code Section 501(c)(7) exempts from federal income tax, clubs organized for pleasure, recreation, and other nonprofitable purposes, substantially all the activities of which are for such purposes and no part of the net earnings of which inures to the benefit of any private shareholder.

Treasury Regulation Section 1.501(c)(7)-1(a) states that the exemption provided by IRC Section 501(a) for an organization described in Section 501(c)(7) applies only to clubs which are organized and operated exclusively for pleasure, recreation, and other nonprofitable purposes, but does not apply to any club if any part of its net earnings inures to the benefit of any private shareholder. In general, this exemption extends to social and recreation clubs which are supported solely by membership fees, dues and assessments. However, a club otherwise entitled to exemption will not be disqualified because it raises revenue from members through the use of the club facilities or in connection with club activities.

Revenue Ruling 69-281, 1969-1 C.B. 155, held that a social club providing exclusive and automatic membership to homeowners in a housing development, with no part of its earnings inuring to the benefit of any member, may qualify for exemption under IRC Section 501(c)(7). The club was incorporated by a housing developer as a nonprofit membership corporation for the purpose of establishing and operating social facilities, including a swimming pool, for the benefit of purchasers of homes in the development. Membership in the club is open only to homeowners in the development, which consists of several hundred family housing units.

Rev. Rul. 69-635, 1969-2 C.B. 126, held that an automobile club whose principal activity is rendering automobile services to its members but has no significant social activities does not qualify for exemption under IRC Section 501(c)(7).

Rev. Rul. 75-494, 1975-2 C.B. 214, provides that a club providing social and recreational facilities, whose membership is limited to homeowners of a housing development, will be precluded from qualifying for exemption under IRC Section 501(c)(7) by owning and maintaining residential streets, enforcing restrictive covenants, or providing residential fire and police protection and trash collection service.

#### **Application of law**

You are not described under IRC Section 501(c)(7) or Treas. Reg. Section 1.501(c)(7)-1(a) because a substantial part of your activities are not for pleasure, recreation, or other nonprofit purposes. You maintain privately-owned residential roads, provide maintenance and clean-up of common properties, and maintain a beach area. These are not activities in furtherance of an exempt purpose under Section 501(c)(7).

There is no evidence that you promote fellowship, comingling, or personal contact among members. An organization won't qualify for exemption under IRC Section 501(c)(7) if they have no significant social activities, as explained in Rev. Rul. 69-635.

You are not operated like the organization described in Rev. Rul. 69-281, which qualified for exemption under IRC Section 501(c)(7). In that ruling, the organization's purpose was to establish and operate social facilities for the benefit of the homeowners of a particular development. Any social activities you may conduct are incidental to your purpose of maintaining the common property in your housing development.

You are similar to the organization described in Rev. Rul. 75-494, which provided social and recreational facilities that were limited to homeowners of a housing development. In that ruling, the organization didn't qualify for exemption under IRC Section 501(c)(7), as their activities were to own and maintain residential streets, enforce restrictive covenants, and provide residential fire and police protection and trash collection service.

### **Conclusion**

You do not qualify for exemption under IRC Section 501(c)(7) because you aren't operated substantially for the pleasure, recreation, and other nonprofitable purposes of your members. Therefore, you do not qualify for exemption under Section 501(c)(7).

### **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.

We sent a copy of this letter to your representative as indicated in your power of attorney.

Sincerely,

Stephen A. Martin  
Director, Exempt Organizations  
Rulings and Agreements