



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

Date:
12/22/2025
Employer ID number:

Form you must file:

Tax years:

Person to contact:

Release Number: 202612009
Release Date: 3/20/26
UIL Code: 501.04-00, 501.04-07

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 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:
11/03/2025
Employer ID number:

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

Legend:

C = State
D = Date
E = Area
F = Company

UIL:
501.04-00
501.04-07

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

Your Form 1024-A states you are a real estate management association which provides management, maintenance, and care of real and personal property located in your development that resembles a residential neighborhood. Although you checked "no" on your Form 1024-A when asked if you are a homeowners' association, you are funded and operate very similar to what would be considered a homeowners' association.

Your Articles of Incorporation (AOI) state you were formed as a mutual benefit corporation. Further, your AOI state your specific purpose is to provide for the management, administration, maintenance, preservation, and architectural control of your common interest development consisting of a planned development project located in the E.

Your main activity is to manage and provide the common area maintenance for your development. Some of your management support and maintenance for your development include, but are not limited to:

- Collecting dues from homeowners
- Sweeping streets
- Maintaining gates, fences, lighting, walkways, sidewalks, and private streets
- Maintaining irrigation facilities, drainage facilities including drainage pipes, brow ditches, water features, and retention basins
- Pest control
- Parking lot and roof repairs
- Landscaping throughout the front of your development
- Maintaining perimeter walls
- Providing entrance utilities and telephone service for the entry system

You are only funded by membership dues. All your time and resources are spent on improving and maintaining the common areas of your development. Your common areas are restricted from public access and use. Your development is surrounded by perimeter walls and you have an entry way security gate for vehicular access to your private streets.

Every owner of a property in your development will automatically become a member and shall remain a member until ownership ceases for any reason, at which time membership will automatically cease. You have two classes of membership, Class A and Class B. Both classes have voting rights. Each Class A member is an owner of property in your development and has one vote per property owned. The only Class B member is F. It will have votes for each property owned. On the anniversary of the original issuance of the public report of the project, the Class B member will be converted into a Class A member. Currently, you do not have any Class B members.

Law

IRC Section 501(c)(4) provides that 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 and no part of the net earnings of such entity inures to the benefit of any private shareholder or individual may be exempt from federal income tax.

Treasury Regulation Section 1.501(c)(4)-1(a)(1) states a civic league or organization may be exempt as an organization described in IRC Section 501(c)(4) if it is not organized or operated for profit and it is operated exclusively for the promotion of social welfare.

Treas. Reg. Section 1.501(c)(4)-1(a)(2)(i) provides 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 IRC Section 501(c)(4) is one that is operated primarily for the purpose of bringing about civic betterments and social improvements.

Revenue Ruling 72-102, 1972-1 C B 149, described a non-profit organization formed to preserve the appearance of a housing development and to maintain streets, sidewalks, and common areas for use of the residents was found to be exempt under IRC Section 501(c)(4). The ruling described what may constitute a community, which may be exemplified in a neighborhood, precinct, subdivision, or housing development. It stated by administering and enforcing covenants, and owning and maintaining certain non-residential, non-commercial properties of the type normally owned and maintained by municipal governments, this organization served the common good and the general welfare of the people of the entire development.

Rev. Rul. 74-99, 1974-1 C.B. 131, modified Rev. Rul. 72-102 and held that a homeowners association, in order to qualify for exemption under IRC Section 501(c)(4) of the Code, must, in addition to otherwise qualifying for exemption under Section 501(c)(4), satisfy the following requirements: (1) It must engage in activities that confer benefit on a community comprising a geographical unit which bears a reasonably recognizable relationship to an area ordinarily identified as a governmental subdivision or a unit or district thereof; (2) It must not conduct activities directed to the exterior maintenance of private residences; and (3) It owns and maintains only common areas or facilities such as roadways and parklands, sidewalks and street lights, access to, or the use and enjoyment of which is extended to members of the general public and is not restricted to members of the homeowners' association.

Rev. Rul. 78-86, 1978-1, C.B 152, held that an arrangement whereby merchants joined together to provide parking for their customers served the merchants' private interests and was not operated primarily for social welfare purposes under IRC Section 501(c)(4).

In Lake Petersburg Association v. Commissioner, T.C. Memo 1974-55; 33 T.C.M. (CCH) 259 (T.C. 1974), an organization constructed a man-made lake with funds received by it from its members. In return for a membership fee, each member became entitled to lease lots near the lake, for which each member was required to pay a lot assessment plus an annual lot rental fee. The Tax Court concluded that the organization was operated primarily to serve the interests of its members rather than serve the interest of the community, and thus was not exempt from taxation. This conclusion was based on the finding that the organization "directly benefited only those people who were members and who therefore could enjoy the facilities and environment that the lake provided."

In Flat Top Lake Association, Inc. v. United States, 868 F.2d 108 (4th Cir. 1989), the Court held that a homeowners association did not qualify for exemption under IRC Section 501(c)(4) because it did not benefit a "community" bearing a recognizable relationship to a governmental unit and its common areas or facilities were not for the use and enjoyment of the general public.

Application of law

You seek recognition of tax-exempt status under IRC Section 501(c)(4), which requires an organization to be operated exclusively to promote social welfare. An organization seeking tax-exempt status under Section 501(c)(4) must be operated exclusively to promote social welfare within the meaning of Section 501(c)(4) based on the facts. 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.

Although you checked "no" on your Form 1024-A when asked if you are a homeowners' association, you are funded and operate very similar to what would be considered a homeowners' association. Rather than promoting in some way the common good and general welfare of the people of the community, you serve a

small group of homeowners, your members. You are operated exclusively to serve the private interests of your members rather than the interests of the community, and you are not operated exclusively for the promotion of social welfare. See Rev. Rul. 78-86 and Lake Petersburg Association.

You are like the organizations described in Rev. Rul. 74-99 and Flat Top Lake Association, Inc. that were denied exemption under IRC Section 501(c)(4) because both organizations' common areas were restricted to the public. All your time and resources are spent on improving and maintaining the common areas of your development which are restricted from public access and use.

Your position

You stated that you erroneously checked "No" when asked on Form 1024 whether the homeowners' association restricted public access to its common areas. You also provided copies of previous responses to support your statement.

Our response to your position

Your position has been carefully considered; however, it does not alter our determination. The information provided does not establish that the general public would have access to common areas. Your community is a gated development, enclosed by perimeter walls and controlled by an entry gate that limits vehicular access to its private streets. These structural features are consistent with common boundary indicators used to restrict entry and delineate private property. The existence of such barriers indicates that access is limited to residents and their invited guests, thereby excluding the general public. Accordingly, it remains unclear where private property ends and public property begins, or how members of the general public could reasonably obtain access to the common areas. The facts support a finding that the organization's activities are directed primarily towards the benefit of its members rather than the community at large.

Conclusion

Based on the information submitted, you are not operated exclusively for exempt purposes within the meaning of IRC Section 501(c)(4). Rather, by restricting access to your common areas from the public, you are operated primarily for the private interests of your members and you do not promote the social welfare of the community. Accordingly, you do not qualify for exemption under 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 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.

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