



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

Date:
01/14/2026
Employer ID number:

Form you must file:

Tax years:

Person to contact:
Name:
ID number:
Telephone:

Release Number: 202614035
Release Date: 4/3/26
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
Redacted Letter 4038



**Department of the Treasury
Internal Revenue Service**

Date:
11/14/2025
Employer ID number:

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

Legend:

B = Date
C = State
D = Number

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

You were formed on B by incorporating in the state of C as a nonprofit corporation. Your Articles of Incorporation stated that you are formed for the purpose of maintenance of a residential subdivision.

Your Bylaws state that you are formed to:

- Manage and operate a residential community designed for safe, healthful, and harmonious living;
- Promote the collective property, civic interests, and rights of all members in the association;
- Care for and maintain the improvements of the subdivision including gateways, easement, roadways, lighting, fences, landscaping, plots, and facilities dedicated to the associations use;
- Aid and cooperate with the members of the association and all property owners in the Subdivision in the enforcement of the Covenants, Conditions, and Restrictions;
- Promote the general welfare of the residents and owners of the subdivision;
- Acquire, own, lease, and insure such real and personal property as may be necessary or convenient for the transaction of business and fulfillment of its purposes and objectives; and
- Arrange social and recreational functions for your members.

Your Covenants, Conditions, and Restrictions (CCR) state that you are a subdivision of D lots. Your CCR stipulate that homeowners are expected to maintain their property, lawn, and sidewalks. Your CCR also outlines the rules enforced against homeowners to ensure safe, healthful, and harmonious living.

You were formed to promote the collective property, civic interests, and rights of all members in your subdivision. You state that you do not have any common areas, and you have no plans to have any usable property in the subdivision. All property within the subdivision is privately owned by members. Membership is open to any beneficial owners of a lot in the subdivision.

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 that an 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 this section is one which is operated primarily for the purpose of bringing about civic betterments and social improvements.

Revenue Ruling 72-102, 1972-1 C.B. 149, provides that a nonprofit organization formed by a real estate developer to administer and enforce covenants to preserve the appearance of a housing development and to maintain streets, sidewalks, and common areas for use of the residents is exempt under IRC Section 501(c)(4). The Rev. Rul. described what may constitute a community, which may be exemplified in a neighborhood, precinct, subdivision, or housing development. By administering and enforcing covenants, and owning and maintaining certain non-residential, non-commercial properties of the type normally owned and maintained by a municipal government, the organization is serving 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 clarifies the circumstances under which a homeowners' organization may qualify for exemption under IRC Section 501(c)(4). Several factors lead to the prima facie presumption that homeowners' associations are essentially and primarily formed and operated for the individual business or personal benefit of their members, and, as such, do not qualify for exemption under Section 501(c)(4). However, the ruling goes on to state that a homeowners' association may in certain circumstances overcome the presumption and qualify for recognition of exemption under Section 501(c)(4) by (1) serving a "community" which bears a reasonable recognizable relationship to an area ordinarily identified as governmental, (2) conducting activities directed to the exterior maintenance of private residences, and (3) ensuring that the common areas or facilities it owns and maintains are for the general public's use and enjoyment.

Rev. Rul. 80-63, 1980-1 C.B. 116, clarifies Rev. Rul. 74-99, by providing answers to specific questions as to whether the conduct of certain activities will affect the exempt status under IRC Section 501(c)(4) of otherwise qualifying homeowners' associations. The ruling states, in relevant part, that: the term 'community' does not embrace a minimum area or a certain number of homeowners. Instead, whether a particular homeowners'

association meets the requirements of conferring benefit on a community must be determined according to the facts and circumstances of the individual case. For instance, if the association owns and maintains common areas and facilities for the use and enjoyment of the general public as distinguished from areas and facilities whose use and enjoyment are controlled and restricted to the members of the association then it may satisfy the requirement of serving a community.

In Lake Petersburg Association v. Commissioner, T.C. Memo 1974-55; 33 T.C.M. (CCH) 259 (T.C. 1974), a group of businessmen contributed capital and acquired capital from other sources such as the City, the Chamber and two banks, to obtain funding to purchase property and develop it to help stimulate the economy in the surrounding area. They formed an association, which required prospective owners to become dues-paying members. The dues helped finance the development of the lake and recreational facilities on said property. Use of the assets was limited to members and their guests. The association argued that the organization was created to stimulate the economy and make it a better place to live, thereby fulfilling the requirement of a social welfare organization under Section 501(c)(4) of the Code. The respondent argued that it was operated primarily for the benefit of its members and therefore did not qualify. The Court found that regardless of the original intent, the actual benefit went to the members and any economic benefits to the Petersburg citizens were "indirect and remote."

Rancho Santa Fe Association v. U.S., 589 F. Supp. 54 (S.D. Cal. 1984), held that a housing development functioning as a public municipality, constituted an independent community under Treas. Reg. Section 1.501(c)(4)-1, and that the homeowners' association representing the property owners within the housing development bestowed benefits on the entire community. Therefore, the association was exempt under Section 501(c)(4) even though the public was restricted from certain recreational facilities. Of note, the Rancho Santa Fe development was significant in size, separated geographically from the central area of a large city (San Diego, California), and had its own post office and zip code. In addition, the organization performed the functions of a governmental entity, and it brought about civic betterments and social improvements on an unrestricted basis that would be sorely missed by the community without the activities of the organization. In sum, out of the 600 acres owned directly by the association, 465 of these acres were available for use by the general public on an unrestricted basis. The remaining 135 acres were available to all the members of the Rancho Santa Fe community and to the general public, but only when the public used the inn located in Rancho Santa Fe. The court summarized, "The critical factor is that the Association benefits the community it serves and represents on an unrestricted basis."

In Flat Top Lake Association v. United States, 868 F.2d 108 (1989 4th Circuit), the Court held that a homeowners' association that maintained a private lake accessed by a private road, open only to lot owners in a 375-lot residential subdivision surrounding the lake, 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. Citing Revenue Ruling 74-99, the Court stated that "Clearly Congress believed that an organization cannot serve social welfare if it denies its benefits to the general public... Wholly private activity, however meritorious, confers no such benefit which would render [exemption] appropriate."

Application of law

You are not described in IRC Section 501(c)(4) and Treas. Reg. Section 1.501(c)(4)-1(a)(1) because you are not operated exclusively for the promotion of social welfare, nor do you promote the common good and general welfare of the people of a community.

You are not similar to the organization contemplated by Rev. Rul. 72-102, as modified by Rev. Rul. 74-99, because you do not extend the use and enjoyment of your common areas to members of the general public. You restrict the use and enjoyment of your common areas exclusively to your members. Therefore, your activities do not primarily promote in some way the common good and general welfare of the people of a community as Treas. Reg. Section 1.501(c)(4)-1(a)(2)(i) requires.

You do not meet the requirements of Rev. Rul. 74-99 and Rev. Rul. 80-63 because there is no access to any common elements to be extended to members of the general public. Because members of the general public are prohibited from the use and enjoyment of any area, you do not bestow a community benefit and you do not have any common areas, and you have no plans to have any usable property in the subdivision.

You are not similar to the organization described in Rancho Santa Fe Association because you are not a housing development functioning as a public municipality bestowing benefits on the entire community. The area under your management is zoned for residential use only and is devoid of a post office, schools, or commercial entities as illustrated in Rancho Santa Fe Association. Moreover, access to your community, by the broader public, is impeded by a gate, thus ensuring that your benefits are exclusively available to your members, akin to a private subdivision.

You are similar to Lake Petersburg Association and Flat Top Lake Association which both state that an organization will not qualify for exemption under IRC Section 501(c)(4) if their services aren't for the public at large or of a public character. Your activities are primarily for the convenience of your members, and any benefits to the entire community are indirect and remote.

Conclusion

Based on the information submitted, you are not operated exclusively for exempt purposes within the meaning of Section 501(c)(4). You do not promote social welfare or provide a community benefit because you do not allow public access. Further, you are not operated primarily for the promotion of social welfare, nor primarily engaged in promoting the common good and general welfare of the people of the community. Therefore, you fail to qualify for exemption under Section 501(c)(4).

If you agree

If you agree with our proposed adverse determination, you do not need to do anything. If we do not hear from you within 30 days, we will 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