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

IRS

Date:
05/05/2026
Employer ID number:

Form you must file:

Tax years:

Person to contact:
Name:
ID number:
Telephone:

Release Number: 202631010
Release Date: 7/31/26
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

IRS

Date:
03/17/2026
Employer ID number:

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

Legend:
B = Date
C = State
D = Area

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 are a corporation formed on B under the laws of the state of C. Your Articles of Incorporation state that your purpose is to act as a management body for the preservation, maintenance, improvement and architectural control of the common area of D. Your Bylaws further state that you are organized to act as an agent for the owners of the properties comprising D.

You are a gated homeowner's association encompassing the homes in D. You own the streets and sidewalks in the subdivision. Access is restricted at your gated entrances and exits, allowing in only those with access codes/cards or those invited by members of your association.

Your Bylaws state that every owner of a residential lot in D shall automatically become, and must remain, a member and membership is connected to and may not be separated from ownership of any lot. Your membership cannot be transferred, pledged, or alienated in any way, except upon the sale of the residential lot to which it is connected, and then only to the purchaser.

Law

IRC Section 501(c)(4) provides for the exemption from federal income tax of organizations not organized for profit but operated exclusively for the promotion of social welfare. Further, exemption shall not apply to an entity unless no part of the net earnings of such entity inures to the benefit of any private shareholder or individual.

Treasury Regulation Section 1.501(c)(4)-l(a)(l) 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 l.501(c)(4)-l(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 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 homeowner's 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). The ruling adds, in addition to otherwise qualifying for exemption under Section 501(c)(4), the organization must satisfy the following requirements: (1) it must serve a "community" which bears a reasonable recognizable relationship to an area ordinarily identified as governmental; (2) it must not conduct activities directed to the exterior maintenance of private residences, and (3) the common areas or facilities it owns and maintains must be for the use and enjoyment of the general public.

Rev. Rul. 80-63, 1980-1 C.B. 116, clarifies Rev. Rul. 74-99, and provides answers to specific questions as to whether the conduct of certain activities will affect the exempt status under IRC Section 50l(c)(4) of otherwise qualifying homeowners' associations. The ruling states, in relevant part, that: 1) the term ‘community’ does not embrace a minimum area or a certain number of homeowners; and 2) a homeowners’ association, which represents an area that is not a community may not qualify for exemption if it restricts the use of its common areas and recreational facilities to only members of the association.

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 v. U.S., 868 F.2d (4th Cir. 1989), the Court held that a homeowners association did not qualify for exemption under IRC Section 501(c)(4) when it did not benefit a “community” bearing a recognizable relationship to a governmental unit and when its common areas or facilities were not for the use and enjoyment of the general public. The organization in Flat Top Lake Association had 375 lots in the development with 80 families residing there. The organization did undertake certain quasi-governmental tasks including constructing a bridge, maintaining common areas such as a road, a park, and a lake, and providing waste disposal for residents. The organization also paid for a “conservator of the peace” to perform law enforcement duties. Despite this, the court held that this was not a “community” because it is a private environment for its members and cannot claim a tax exemption for benefitting itself.

Application of law
You are not as described in IRC Section 501(c)(4) and Treas. Reg. Section l.501(c)(4)-1(a)(1) because your activities do not primarily promote civic betterment or social welfare. Specifically, the facts indicate that you are operated primarily to serve the private interests of lot owners in your gated community.

You do not meet the provisions of Treas. Reg. Section 1.501(c)(4)-1(a)(2)(i) because you have a defined limited membership consisting of only D homeowners, and your association prohibits the general public from accessing your property. These facts show that you do not promote the common good and general welfare of the people of the community but instead you operate to serve the private interests of a limited group of individuals.

You are not a "community" as described in Rev. Rul. 74-99 and Rev. Rul. 80-63 because the general public is not significantly benefitting from your operations. Your activities are aimed at the maintenance of areas that serve an exclusive, rather than broad, class of people. The area you maintain does not bear a recognizable relationship to an area ordinarily identified as a governmental subdivision. Like the organization described in Lake Petersburg Association, your activities of maintaining the common areas of D are designed to benefit your members and are for the convenience of your members. Therefore, you do not meet IRC Section 50l(c)(4).

You are similar to the organization described in the court case, Flat Top Lake Association. Your activities primarily benefit your members rather than the community at large. You are not primarily promoting in some way the common good and general welfare of the people of a community, instead you are promoting the private interests of your members.

Conclusion
Based on the information submitted, you do not meet the requirements for tax exemption under IRC Section 501(c)(4) because you are not primarily promoting the general welfare and common good of the community. You are not a "community" within the meaning of the regulations because the general public is not significantly benefiting from your operations. You are operating primarily for the private interests of your members, who are lot owners in D. There is little, if any, benefit conferred to the general public. Therefore, you fail to qualify under Section 50l(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.

Sincerely,

Stephen A. Martin
Director, Exempt Organizations
Rulings and Agreements