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

Date:
05/29/2026
Employer ID number:

Form you must file:

Tax years:

Person to contact:
Name:
ID number:
Telephone:

Release Number: 202634019
Release Date: 8/21/26
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:
04/07/2026

Employer ID number:

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

Legend:

B = Date
C = State
D = Act
E = Areas
F = Entity
G = Number
H = Number
k percent = Percentage
L = Number
M = Entity

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 described below.

Facts

You were incorporated on date B, as a nonprofit mutual benefit corporation in the State of C. Your Articles of Incorporation state that your purpose is to manage a common interest development under the D. Your Declaration of Covenants, Conditions and Restrictions states that you maintain or provide maintenance of all E. It further states the E will include landscaping, irrigation, lighting, sidewalks, pathways, driveways, roadways, an underground private storm drain pipeline, a private underground sewer line, signage, and entrance features.

You have two classes of members, Class A and Class B. The sole Class B member is F, the declarant and developer of the common interest development. Class A membership is limited to tenants in the development and can be no more than G. Voting rights are granted to tenants based on the size of the parcel rented, resulting in Class A members having H votes for every k percent of the development that they rent. The sole Class B member, F, maintains L votes for every k percent of the development that it owns. Once the Class B member ceases to own any leasehold interest in any parcel all members will be converted to Class A members.

You state that you are a commercial owners association that manages the common assets of the development for the mutual benefit of your members. In the development, F owns the buildings, the M owns the land that F is leasing for the development, and you own and maintain common areas of the development.

The allowable uses of the parcels as established by zoning, planned use and ground leases. Parcels are restricted to light industrial use, including warehouse and distribution uses and facilities. F intends for the property to be an industrial warehouse project.

You are solely funded by membership fees. You charge fees to pay for the cost of the maintenance activities, property management, property taxes (if any), and insurance. Each member is billed for their proportionate share of the operating budget, based upon the percentage of the development that they rent. Budgeted costs are reconciled to actual costs with any overages billed/paid being refunded to the members, with the exception of some reserve funds.

Law

IRC Section 501(c)(4) provides for the exemption from federal income tax for organizations not organized for profit and operated exclusively for the promotion of social welfare. Further, the 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)-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 this Section 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, describes a non-profit organization formed to preserve the appearance of a housing development and to maintain streets, sidewalks, and common areas for the 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. 74-17, 1974-1 C.B. 130, held that an organization formed by the unit owners of a condominium housing project to provide for the management, maintenance, and care of the common areas of the project, with membership assessments paid by the unit owners, does not qualify for exemption under IRC Section 501(c)(4). It was held that the unit owners were tenants in common, therefore maintenance was a provision for private economic benefit and not the promotion of social welfare. It cited the essential nature of a condominium association that has owners as members, relies on assessments against owners, and provided a service (maintenance).

Rev. Rul. 74-99, 1974-1 C.B. 131, modified Rev. Rul. 72-102 and held that a homeowners association must, in addition to otherwise qualifying for exemption under IRC 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. 80-63, 1980-1 C.B. 116, clarified 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 stated that: (1) The term "community" does not embrace a minimum area or a certain number of homeowners as it is not possible to formulate a precise definition of the term. 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; (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; and (3) A homeowners' association cannot own and maintain parking for the sole use of its members if it is not a community.

In Lake Petersburg Association v. Commissioner, T.C. Memo 1974-55; 33 T.C.M. (CCH) 259 (T.C. 1974), an association was established by a group of businessmen to purchase a tract of land, build a lake on a portion of it, and subdivided the remainder into lots to be leased for 99-year terms as recreational home sites, which required prospective owners to become dues-paying members. In addition, each member had to pay an "assessment," which was a pro-rata share of the cost of the land and construction of the lake and roads, along with an annual lot rental fee. The association argued that it was created to stimulate the economy and make it a better place to live, thereby fulfilling the requirement of a social welfare organization under IRC Section 501(c)(4). The IRS argued that it was operated primarily for the benefit of its members and therefore did not qualify. The Tax 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" and held that the association was not tax-exempt under Section 501(c)(4).

In Contracting Plumbers Cooperative Restoration Corp., v. United States, 488 F.2d 684 (2d Cir. 1973), an organization made to correct an inefficient city repair system, but limiting its repair work to its members' activities, was held to be not exempt. While the court found that the program provided substantial benefits to the public, it concluded that the organization primarily served the private economic interests of its members and, thus, could not be considered exempt under IRC Section 501(c)(4).

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. As described in Treas. Reg. Section 1.501(c)(4)-1(a)(1), 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. You are formed and operated to maintain the common assets of a common interest development. By operating in this manner, and for this purpose, you are not operating exclusively for the promotion of social welfare within the meaning of Treas. Reg. Section 1.501(c)(4)-1(a)(2)(i), because you operate exclusively to serve the private interests of your members rather than for the benefit of the community as a whole.

Your primary activity is the maintenance of the landscaping, irrigation, lighting, sidewalks, pathways, driveways, roadways, and other common elements for and in connection with F's common interest development. Although the maintenance of these amenities may create a clean and safe environment for the general public to access the common interest development, the primary benefit is to your members. Your members pay annual fees based on expected expenses, proportionate to the size of their lot, to fund these repairs. By operating in this manner, you are similar to the organization described in Contracting Plumbers, and Rev. Rul. 74-17. The benefits you provide are primarily focused on alleviating F and its tenants of their economic burdens related to maintenance of their property. Similar to the organization described in Lake Peterson Association, while these activities may benefit the community at large, the benefits to the general public are indirect and remote compared to the benefits to your members and F.

You are similar to the organization contemplated by Rev. Rul. 72-102, as modified by Rev. Rul. 74-99, because you were formed by a real estate developer to administer and enforce covenants to preserve the appearance of the common interest development, and to maintain streets, sidewalks, and other common assets for public use. Importantly, you differ from those organizations by maintaining industrial property owned by F. You also do not meet the requirements of Rev. Rul. 74-99 and Rev. Rul. 80-63, because these spaces, while public, do not constitute a community and your activities primarily serve to benefit F and its tenants, with any public benefit being incidental.

Conclusion
Based on the information submitted, you are not operated exclusively for social welfare purposes within the meaning of IRC Section 501(c)(4). You operate primarily for the benefit of your members and not exclusively for the promotion of social welfare or common good of the community in general. 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.

Sincerely,

Stephen A. Martin
Director, Exempt Organizations
Rulings and Agreements