



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

Date:
06/30/2026
Employer ID number:

Form you must file:

Person to contact:

Release Number: 202639003
Release Date: 9/25/26
UIL Code: 501.12-00

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)(12). 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.

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
Letter 4038

cc:



**Department of the Treasury
Internal Revenue Service**

Date:
04/30/2026

Employer ID number:

Person to contact:

Name:
ID number:
Telephone:
Fax:

Legend:

B = Date
C = State
D = Township

UIL:
501.12-00

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

Facts

You were formed as a nonprofit corporation on B, in the State of C. Your Articles of Incorporation state that you were formed for property maintenance of a condominium association.

Your association consists of two owners of three commercial use parcels. The parcels include extensive common areas and appurtenances, such as outside lighting, utility connections (water, sewer, gas, electric), grass, shrubs, and others. Each of your owner-members owns an undivided percentage in all the common areas. There is no separate assignment or identification as to which owner-member owns what common area(s) or is responsible for the care and maintenance of any particular common area(s).

Your primary activities include maintaining the common areas and appurtenances for your members, the D township in C, and the general public, including maintaining parking lots, sidewalks, or other common areas and facilities through snow removal, landscaping, lawn care, lighting, security, insurance, and related activities.

All of your income is collected from your members for the sole purpose of meeting expenses and future losses. There are no expectations of any private inurement, appreciating assets or any types of similar operations, except to cover the expense of the common areas that serve all the members' properties.

Law

IRC Section 501(c)(12) provides exemption from federal income tax for benevolent life insurance associations of a purely local character, mutual ditch or irrigation companies, mutual or cooperative telephone companies, or like organizations, but only if 85 percent or more of the income consists of amounts collected from members for the sole purpose of meeting losses and expenses. Exemption as a "like organization" is restricted to organizations which are similar to any one type of organization described above.

Revenue Ruling 65-201, 1965-2 C.B. 170, held a cooperative housing organization operated for the personal benefit of its tenant-owner members is not a "like organization", and does not qualify for exemption from federal income tax under IRC Section 501(c)(12), or any other section of the Code.

Rev. Rul. 67-265, 1967-2 C.B. 205, describes a "like organization" that qualified for exemption by furnishing light and water, a type of public utility, to its members on a cooperative basis. The term "like organizations" as used in the statute is limited by the type of organizations specified in the statute. It is applicable only to those mutual or cooperative organizations which are engaged in activities similar in nature to the benevolent life insurance or public utility type of service or business customarily conducted by the specified organizations.

Rev. Rul. 68-564, 1968-2 C.B. 221, held that an organization comprised of river front property owners which contracted with the federal government to construct or maintain structures or improvements to prevent erosion of riverbanks qualified for exemption under IRC Section 501(c)(12) because building and maintaining improvements to prevent erosion is similar to ditch or irrigation activities, which reclaim or preserve land for useful purposes. Therefore, the organization was a "like organization" similar to mutual ditch or irrigation companies.

Rev. Rul. 83-170, 1983-2 C.B. 97, describes a cooperative organization formed to provide cable television service to its members. Membership is required in order to receive cable television service. The ruling states that the term "like organization," as used in IRC Section 501(c)(12), is applicable only to those mutual or cooperative organizations that are engaged in activities similar in nature to the public utility type of service or business customarily conducted by the specified organizations. The ruling notes that cable television corporations are similar in nature to public utilities and concludes that the organization qualifies for exemption from federal income tax as a "like" organization within the meaning of Section 501(c)(12).

Rev. Rul. 2002-54, 2002-2 C.B. 527, describes an exempt electric cooperative corporation's distribution and sale of tanked propane by trucks was not a "like organization" activity under IRC Section 501(c)(12) in connection with the facts provided in the ruling. The distribution and sale of tanked propane by trucks was not deemed a public utility-type service because the rates charged for tanked propane are not traditionally regulated by either states or federal government. Moreover, no extensive infrastructure was required.

In Lake Petersburg Association v. Commissioner, 33 T.C.M. (CCH) 259 (T.C. 1974), the Tax Court held, among other things, that the Association was not exempt under IRC Sections 501(c)(4), (5), (6), (7), or (12). The Association was formed, in part, to own, construct, maintain, and control a lake and its adjacent recreational facilities for property owners who paid dues. As part of its defense, the Association argued that it was exempt under Section 501(c)(12) as an organization like a mutual ditch or irrigation company. The court rejected this argument because "the purpose and operation of these two types of organizations are clearly different" because the Association provided, in part, a recreational lake tied to property ownership, not an essential, utility type of service.

Application of law

You are not described in IRC Section 501(c)(12) because you are not a benevolent life insurance company of a purely local character, a mutual ditch or irrigation company, a mutual or cooperative telephone or electric company, or a “like” organization. You perform routine and basic maintenance services of the commercial use parcels owned by your members. These activities are not “like” those customarily performed by any type of organization listed in Section 501(c)(12).

You are like the cooperative housing organization denied exemption in Rev. Rul. 65-201. Your services are provided primarily for your members so they may meet their responsibility as commercial use parcel owners. The D township and general public receive incidental benefit from your activities. Therefore, you do not qualify for exemption under IRC Section 501(c)(12), because

You are not like the organizations granted exemption in Rev. Rul. 67-265 and Rev. Rul. 83-170. You are not a “like” organization engaged in activities similar in nature to the types customarily conducted by organizations under IRC Section 501(c)(12). You provide routine maintenance services for the personal benefit of your members. You do not provide life insurance, ditch or irrigation services, or any type of utility service, precluding you from exemption under Section 501(c)(12).

You are not like the organization granted exemption in Rev. Rul. 68-564. This organization was “like” a mutual ditch or irrigation company because the construction and maintenance of improvements that protect riverbanks from erosion preserves the usefulness of the surrounding lands in the same way that the furnishing of water by mutual ditch or irrigation companies enables their members to reclaim and preserve land for useful purposes. Conversely, the provision of outside maintenance to your members’ properties, including snow removal, storm water management, grass, and parking area repair, are not like those of a mutual ditch or irrigation company.

Moreover, like Rev. Rul. 2002-54, you are not a “like” organization that provides a public utility-type service. Your activities primarily involve routine maintenance of commercial parcel lots and do not require state or federal government regulation or any extensive infrastructure. While some of your activities may provide maintenance for the delivery of a utility, such as maintaining lighting fixtures, this is not equivalent to providing light as a cooperative utility type company or “like” organization within the meaning of IRC Section 501(c)(12).

Similar to the organization in Lake Petersburg Association, you are not like a mutual ditch or irrigation company, as your purpose and operations are different. You do not provide an essential, utility type of service on a mutual or cooperative basis; you provide routine maintenance of commercial parcel lots based on property ownership for your two members. This does not further exempt purposes under IRC Section 501(c)(12).

Conclusion

Based on the information you submitted, we conclude you are not described within the meaning of IRC Section 501(c)(12) as a benevolent life insurance company of a purely local character, a mutual ditch or irrigation company, a mutual or cooperative telephone or electric company, or a “like” organization. Accordingly, you do not qualify for exemption from federal income tax under Section 501(c)(12).

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