



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

Date:
07/10/2026
Employer ID number:

Form you must file:

Tax years:

Person to contact:

Release Number: 202640008
Release Date: 10/2/26
UIL Code: 501.04-07, 528.00-00

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)(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:
05/22/2026
Employer ID number:

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

Legend:

B = Date
C = State
D = Office
E = Subdivision
F = Authority
H = Date
x = Number
y = Number
z = Number

UIL:
501.04-07
528.00-00

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)(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 incorporated on B in the state of C. Your articles of incorporation states your primary purpose is to repair, maintain, and manage common areas, enforce rules and regulations adopted from time to time by the board of directors and discharge such other lawful duties and responsibilities required pursuant to your Declaration of Covenants, Conditions and Restrictions recorded on H, with respect to the planned development project commonly known as E. You also provided a statement of common interest filed with the state of C that states you were formed to manage a common interest development under the F.

You indicate there are x lots total; y homes standing and z lots currently vacant. The common areas include the entry driveway to the development, a private gate, and a portion of the street that leads into the development. These common areas are only for the benefit of members and their guests. There is no access provided to the general public.

Your activity is managed by your board of directors, and you are funded by membership dues. In addition to maintaining and preserving common realty areas, you will provide exterior maintenance to the residences of your members in the event of an emergency. Financial data submitted with your application show that membership fees collected will be used for occupancy expenses and professional fees, but did not provide any additional details.

Your bylaws state that membership in the association shall include, and shall be limited to, all record owners of any lot subject to assessment located within the development. Upon becoming a record owner of each lot, each owner shall automatically be a member of the association and shall remain a member until such time as his, her, or its lot ownership ceases for any reason. Members in good standing shall be entitled to cast one vote for each lot owned.

Law

IRC Section 501(c)(4) provides for the exemption from federal income tax of civic leagues or organizations not organized for profit but operated exclusively for the promotion of social welfare.

Treasury Regulation 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 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 provides 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), the Tax Court held that an organization formed to construct a lake and develop lakeshore property, including recreational areas was not exempt under IRC Section 501(c)(4). The reason for this decision was that the organization benefited its members only, as the members were the only ones who could enjoy the facilities

and the lake environment. 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.

In Flat Top Lake Association, Inc. v. United States, 868 F.2d 108 (1989 4th Circuit), the Court held that a homeowners' association did not qualify for exemption under IRC Section 501(c)(4) where 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.

In Mira Vista Homeowners Association, Inc. v. Commissioner of Internal Revenue, T.C. Memo. 2025-102 (U.S. Tax Ct., 2025), the court held a homeowners association was not described as an IRC Section 501(c)(4) social welfare organization because the non-member activities were incidental and otherwise insubstantial to qualify as benefiting the community as a whole.

Application of law

You do not meet the requirements for exemption under IRC Section 501(c)(4) as a homeowners association. You are not organized or operated exclusively for the promotion of social welfare, nor do you promote the common good and general welfare of the people of a community, as described below.

You do not meet the provisions of Treas. Reg. Section 1.501(c)(4)-1(a)(2)(i) because 1) you have a defined limited membership consisting of only x lots, 2) your membership is required to pay dues and assessments and 3) your members receive a benefit for said fees. These facts show that you do not promote the common good and general welfare of the people of the community but operate to serve the private interests of a limited group of individuals.

You do not meet the requirements of Rev. Rul. 74-99 and 80-63 because use and access to your common elements are not extended to members of the general public. Because members of the general public are prohibited from the use and enjoyment of your common elements, you do not bestow a community benefit as required to meet the qualifications for exemption under IRC Section 501(c)(4).

You are similar to Lake Petersburg Association and Flat Top Lake Association which both state that an organization won't qualify for exemption under IRC Section 501(c)(4) if their services aren't for the public at large or of a public character. You also serve the interests of your members in a similar fashion to the organization described in Mira Vista. Thus, whatever rights or privileges that you may afford to people other than your members, we find these activities to be incidental and otherwise insubstantial to qualify as benefiting the community as a whole. Only the homeowners will serve to primarily benefit from construction and maintenance of the private roadways. Therefore, 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 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