



Section 1.501(c)(12)-1 of the Income Tax Regulations provides, in part, as follows:

"(a) An organization described in section 501(c)(12) must receive at least 85 percent of its income from amounts collected from members for the sole purpose of meeting losses and expenses...."

Revenue Ruling 67-265, 1967-2 C.B., 205, granted exemption under section 501(c)(12) to a cooperative organization that provided light and water to its members. Furnishing the light and water is a type of utility service similar in nature to that provided by the specified organizations. Therefore, this is a "like" organization.

Revenue Ruling 55-311, 1954-1 C.B., 72, denied exemption under section 501(c)(12) to an organization which provided bus service for its members.

Revenue Ruling 65-201, 1965-2 C.B., 170, denied exemption under section 501(c)(12) to an organization which sold electrical equipment to its members and performed incidental installation and repair services in connection with these sales. It also denied exemption under section 501(c)(12) to a cooperative housing organization operated for the personal benefit of its tenant-owners.

Revenue Ruling 72-36, 1972-1 C.B., 151, requires that an organization exempt under section 501(c)(12) must keep records that show each member's rights and interests in the funds which it retains.

Based upon the information submitted, you provide water and other services on a cooperative basis. The maintenance of the sidewalks, roads, streets; the provision of garbage collection services, and the planning of activities for residents are not purposes nor activities within the scope of 501(c)(12). Benefits inure to your members by some of the services provided. You do not keep records that show each member's rights and interests in the funds which you retain. You are not organized nor operated as an organization described under section 501(c)(12).

Therefore, you are not entitled to exemption from Federal income tax as an organization described in section 501(c)(12) of the Internal Revenue Code or any other section of the Code. You are required to file Federal income tax returns on Form 1120 with your key District Director for exempt organization matters. Based on review of the financial information you furnished, it appears that Form 1120 return for the year ended [redacted] should be filed. Form 1120 return should be filed within 30 days from the date of this letter unless a request for an extension of time is granted.

discussed, you indicated that you may consider exceptions under section 529 or remain taxable. However, you have not advised our office of your decision.

If you do not agree to our proposed denial, we recommend that you request a conference with a member of the Regional Director of Appeals Staff. Your request for a conference should include a written appeal signed by an authorized officer giving the facts, law, and any other information to support your position as explained in the enclosed Publication 892. If you are to be represented by someone who is not one of your authorized officers, he/she will need to file a power of attorney or tax information authorization and be qualified to practice before the Internal Revenue Service as provided in Treasury Department Circular No. 230. The conference may be held at the Regional Office or, if you request, at any mutually convenient District Office.

If we have not received an appeal within 30 days, this will become our final determination letter. Your failure to exercise your appeal rights will be considered by the Internal Revenue Service as a failure to exhaust your available administrative remedies.

Sincerely yours,

Exempt Organizations Specialist

2-3-81

CODE	INITIATOR	REVIEWER	REVIEWER	REVIEWER	REVIEWER	REVIEWER	REVIEWER
SUR. NAME							
DATE		2/4/81					