[redacted]

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JUL 26 1991

CERTIFIED MAIL

Dear Applicant:

We have considered your application for recognition of exemption from federal income tax under section 501(c)(4) of the Internal Revenue Code.

The information submitted shows that you were incorporated [redacted] under the General Laws of the State of [redacted].

Your purpose, as stated in the application, is to provide general services and maintenance of the common areas of the condominium units.

According to your by-laws, anyone who holds legal title to a unit within the condominium shall be a member of the organization.

Your activities include providing four major services for your membership:

1. Insurance coverage for casualty damage of the two building units and common areas, as well as public liability and directors and officers liability;

2. Maintenance of the common grounds area through an annual lawn service and snow removal contract;

3. Refuse removal contract;

4. Fiscal management of maintaining a budget, collecting monthly assessment fees, and maintaining a reserve for replacements and working capital.

Your income is from monthly assessment fees of unit owners and investment income. Your expenses are for the major services identified above.

Section 501(c)(4) of the Code provides for the recognition of civic leagues or organizations not organized for profit but operated exclusively for the promotion of social welfare.

	Initiator	Reviewer	[redacted]	Reviewer	Reviewer	Reviewer	Reviewer
Code	[redacted]	[redacted]	[redacted]				
Surname	[redacted]	[redacted]	[redacted]				
Date	6-18-91	6/21/91	7/26/91				

[redacted]

Section 1.501(c)(4)-1(a)(2)(i) of the Income Tax Regulations 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 74-17, published in Internal Revenue Cumulative Bulletin 1974-1, page 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 Code Section 501(c)(4).

In Commissioner v. Lake Forest, Inc., 305 F. 2d 814 (4th Cir. 1962), the court held that a cooperative housing corporation was not exempt as a social welfare organization under section 501(c)(4) of the Code since its activities were of the nature of an economic and private cooperative undertaking.

Based on the information submitted, we hold that you are not operated exclusively for the promotion of social welfare. You are primarily organized and operated to provide services for the personal benefit of your members which is similar to the organization described in Revenue Ruling 74-17. Since you are not organized and operated primarily for promoting in some way the common good and general welfare of the people of the community, you do not qualify for exemption from federal income tax as an organization described in section 501(c)(4) of the Code.

In accordance with this determination, you are required to file federal income tax returns on Form 1120. Your attention is called to section 528 of the Internal Revenue Code which provides certain procedures by which qualifying homeowners associations may elect to be treated as a tax exempt organization. This section of the code was included in the Tax Reform Act of 1976. If you determine that you qualify under section 528, you must file Form 1120H. If you determine that you do not qualify under section 528, you must file corporate tax return Form 1120.

[redacted]

If you do not agree with our determination, you may request consideration of this matter by the Office of Regional Director of Appeals. To do this, you should file a written appeal as explained in the enclosed Publication 892. Your appeal should give the facts, law, and any other information to support your position. If you want a hearing, please request it when you file your appeal and you will be contacted to arrange a date. The hearing may be held at the regional office, or, if you request, at any mutually convenient district office. If we do not hear from you within 30 days of the date of this letter, this determination will become final.

Sincerely yours,

[redacted]

District Director

Enclosure: Publication 892