

Internal Revenue Service
District Director

Department of the Treasury

Post Office Box 1680. GPO
Brooklyn, NY 11202

Date: **JAN 19 1996**

Person to Contact:

Contact Telephone Number:

Refer Reply to:

Employer Identification
Number:

Form Number:
1024

CERTIFIED MAIL

Dear Applicant:

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

The evidence presented disclosed that you were incorporated on [REDACTED] in [REDACTED].

The Purposes for which the corporation was formed are as follows:

To unite property owners in the Farm Hills subdivision, the said [REDACTED] subdivision being located in the Town of [REDACTED], [REDACTED] County, [REDACTED].

To encourage civic improvement in [REDACTED] and the surrounding vicinity.

To promote community activities and interest in [REDACTED] and vicinity.

To cooperate with other organizations having similar objectives.

To operate and maintain or provide for the operation or maintenance of all open space areas and the facilities thereon within Farm Hills and to keep all improvements or whatever kind and for whatever purpose, from time to time, locate thereon in good order and repair.

The information submitted with your application indicates that your activities are to maintain the open space areas, pay taxes on the open space and insure it.

The financial information included in your application indicates that the source of your revenues is annual dues from each of the six lot owners in the association.

The required qualification necessary for membership in the organization is to own a lot. There are only [REDACTED] lots in [REDACTED].

Information submitted in response to our letter dated [REDACTED] states that the only activity the Association has is to mow the fields when necessary, which is owned in common. However, there is no maintenance.

You also indicated that the only purpose for the association is to pay the taxes on the fields and the insurance. You again stated that there are no activities and the general public may walk across the land.

Information submitted in response to our letter dated [REDACTED] stated that the organization has deeded a permanent easement to the town of [REDACTED] for a portion of the [REDACTED] trail which is opened to the public.

Section 501(c)(4) of the Internal Revenue Code 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.

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 primarily engages in promoting in some way the common good and general welfare of the people of the community.

The concept of social welfare implies a service or program directed at benefitting the community rather than a private group of individuals.

Revenue Ruling 74-99, 1974-1 C.B. 131 states that a homeowners association must, in addition to otherwise qualifying for exemption under section 501(c)(4) of the Code, 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; ...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.

The organization has stressed several times that there is hardly any activities. The organization is not operating, if at all, primarily for the promotion of social welfare of the community. The fact that the public can use a portion of the trail does not imply any service or program directed at benefitting the community.

Your organization is benefitting a private group of individuals who are the owners of the lots in [REDACTED].

Accordingly, we conclude that you do not meet the requirements for exempt status under section 501(c)(4) of the Code and propose to deny your request for exemption under that section.

We have also determined that you fail to qualify for exempt status under any other subsection of IRC 501(c).

You are required to file a taxable return Form 1120 or 1041 with the District Director of Internal Revenue Service. Please send the return to the Internal Revenue Service, P.O. Box 1680, General Post Office, Brooklyn, NY 11202.

If you do not agree with this determination, you may request a Conference with the Regional Director of Appeals by protesting in accordance with the enclosed instructions within 30 days.

Protests submitted which do not contain all the documentation stated in the instructions will be returned for completion.

If we do not hear from you within that time, this determination will become final.

Sincerely yours

[REDACTED]
District Director

Enclosure: Publication 892