[redacted]

[redacted]

NOV 30 1983

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 data you submitted discloses that you were incorporated on [redacted], under the laws of the State of [redacted].

Your purposes are to act as agent for the civic and social betterment of the residents and property owners of [redacted]. To achieve these purposes your activities include setting assessments to be levied against individual property owners to provide sanitation collection, liability insurance, safety or police patrols, maintenance of streets, sidewalks, drainage facilities, the upkeep of common areas and the enforcement of covenants and restrictions for the mutual benefit of the residents and owners.

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 betterment and social improvements."

Section 1.501(c)(4)-1 of the regulations provides, in part, as follows:

> "(a)(1) In General. A civic league or organization may be exempt as an organization described in section 501(c)(4) if -
>
> (i) It is not organized or operated for profit; and
>
> (ii) It is operated exclusively for the promotion of social welfare."

	Initiator	Reviewer	Reviewer	Reviewer	Reviewer	Reviewer	Reviewer
Code		[redacted]					
Surname		[redacted]					
Date		11-30-83					

[redacted]

"(a)(2)(i) 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 *** The promotion of social welfare does not include direct or indirect participation or intervention in political campaigns on behalf of or in opposition to any candidate for public office. Nor is an organization operated primarily for the promotion of social welfare if its primary activity is operating a social club for the benefit, pleasure, or recreation of its members, or is carrying on a business with the general public in a manner similar to organizations which are operated for profit.***"

Revenue Ruling 74-17, 1974-1 Cumulative Bulletin 130, holds 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 section 501(c)(4) of the Code.

An organization whose source of receipts are derived principally from membership dues which are used for the payment of benefits to members is essentially a mutual self-interest type of organization. Your income is used to provide direct benefits like sanitation collection, liability insurance, street lights and upkeep of areas. The concept of social welfare implies a service or program directed at benefiting the community rather than a private group of individuals. Any benefits to the community are not sufficient to meet the requirements of the regulations that you will be operated primarily for the common good and general welfare of the people of the community.

Accordingly, it is held that you are not entitled to exemption from Federal income tax under section 501(c)(4) of the Code. You are required to file income tax returns on Form 1120.

Although, you do not qualify for exemption under section 501(c)(4) of the Code, it appears you may qualify for treatment under section 528, which is applicable to certain homeowners associations. We are not ruling on your organization's treatment under section 528. Enclosed for your information is Publication 588 and Form 1120H.

If you do not agree with these conclusions, you may, within 30 days from the date of this letter, file in duplicate a brief of the facts, law, and argument that clearly sets forth your position. If you desire an oral discussion of the issue, please indicate this in your protest. The enclosed Publication 892 gives instructions for filing a protest.

[redacted]

If you do not file a protest with this office within 30 days of the date of this report or letter, this proposed determination will become final.

If you agree with these conclusions or do not wish to file a written protest, please sign and return Form 6018 in the enclosed self-addressed envelope as soon as possible.

If you have any further questions, please contact the person whose name and telephone number are shown at the beginning of this letter.

Sincerely yours,

[redacted]
District Director

Enclosures:
Publication 892
Form 1120
Form 6018
Publication 588
Form 1120H