

Corrected R.E. 9/16/77

a. exercise all of the powers and privileges and to perform all of the duties and obligations of the association as set forth in that certain Declaration of Covenants, Conditions and Restrictions, hereinafter called the "Declaration", applicable to the property and recorded or to be recorded in the office of [redacted] County Recorder and as the same may be amended from time to time be therein provided, said Declaration being incorporated herein as if set forth at length:

Code	Initiator	Reviewer	Reviewer	Reviewer	Reviewer	Reviewer	Reviewer
Surname							
Date							

- [REDACTED]
- b. fix, levy, collect and enforce payment by any lawful means, all charges or assessments pursuant to the terms of the declaration; to pay all expenses in connection therewith and all office and other expenses incident to the conduct of the business of the association, including all licenses, taxes or governmental charges levied or imposed against the property of the association;
 - c. acquire, (by gift, purchase or otherwise), own, hold, improve, build upon, operate, maintain, convey, sell, lease, transfer, dedicate for public use or otherwise dispose of real or personal property in connection with the affairs of the association;
 - d. borrow money, and with the assent of three-fourths (3/4) of each class of members mortgage, pledge, deed in trust, or hypothecate any or all of its real or personal property as security for money borrowed or debts incurred;
 - e. dedicate, sell or transfer all or any part of the common areas to such conditions as may be agreed to by the members. No such dedication or transfer shall be effective unless an instrument has been signed by three-fourths (3/4) of each class of members, agreeing to such dedication, sale or transfer;
 - f. participate in mergers and consolidations with other nonprofit corporations organized for the same purposes or annex additional residential property and common areas, provided that any such merger, consolidation or annexation shall have the assent of three-fourths (3/4) of each class of members;
 - g. have and to exercise any and all powers, rights and privileges which a corporation organized under the Non-Profit Corporation Law of the State of Minnesota by law may now or hereafter have or exercise.

As stated in Form 1024:

- a. the association was formed for the purpose of maintaining the outside grounds and the outside of member homes. Each member pays a monthly maintenance fee which is used to pay for lawn care, snow removal, garbage pick-up, drive-way maintenance and maintenance of the outside areas of the townhouses when necessary. This alleviates members from having to maintain the areas personally.

owners are required to join when they own a share.

Section 501(c)(7) of the Code provides for exemption from Federal income tax of clubs organized and operated exclusively for pleasure, recreation, and other non-profitable purposes, no part of the net earnings of which inures to the benefit of any private individual.

Section 1.501(c)(7)-1(a) of the Income Tax Regulations provides that Section 501(c)(7) of the Code applies only to clubs which are organized and operated exclusively for pleasure, recreation and other non-profitable purposes, but does not apply to any club if any part of its net earnings inures to the benefit of any private shareholder. In general, this exception extends to social and recreation clubs which are supported solely by membership fees, dues and assessments.

Your primary purpose is clearly to act as a homeowners' association. It is apparent that you are not organized exclusively for the purposes specified in Section 501(c)(7) and therefore you are not organized in a manner entitling you to exemption by a that Section of the Code.

Accordingly, we hold that you are not entitled to exemption from Federal income tax as an organization described in Section 501(c)(7) of the Code. Accordingly, you are required to file Federal income tax returns on Form 1120 or Form 1120-B.

If you do not agree with these conclusions, you may within 30 days from the date of this letter, file a brief of the facts, law and arguments (in duplicate) which clearly sets forth your position. In the event you desire an oral discussion of the issues, you should so indicate in your submission. A conference will be arranged in the Regional Office after you have submitted your brief to the Chicago District Office and we have had an opportunity to consider the brief and it appears that the conclusions are still unfavorable to you. Any submission must be signed by one of your principal officers. If the matter is to be handled by a representative, the Conference and Practice Requirements regarding the filing of a power of attorney and evidence of enrollment to practice law, or not. We have enclosed Publication 852, Exempt Organization Determination for Advance Determinations, which explains in detail your rights and procedures.

[REDACTED]

If you agree with this determination please sign and return the enclosed Form 6018.

Sincerely yours,

[REDACTED]

District Director

Enclosures:
Publication 892
Form 6018