



**Department of the Treasury  
Internal Revenue Service  
Tax Exempt and Government Entities**

**Date:**  
10/15/2025  
**Employer ID number:**

**Form you must file:**

**Tax years:**

**Person to contact:**  
**Name:**  
**ID number:**  
**Telephone:**

**Release Number:** 202602002

**Release Date:** 1/9/2026

**UIL Code:** 501.07-00

**Dear :**

This letter is our final determination that you don't qualify for exemption from federal income tax under Internal Revenue Code (IRC) Section 501(a) as an organization described in IRC Section 501(c)(7). Recently, we sent you a proposed adverse determination in response to your application. The proposed adverse determination explained the facts, law, and basis for our conclusion, and it gave you 30 days to file a protest. Because we didn't receive a protest within the required 30 days, the proposed determination is now final.

You must file the federal income tax forms for the tax years shown above within 30 days from the date of this letter unless you request an extension of time to file. For further instructions, forms, and information, visit [www.irs.gov](http://www.irs.gov).

We'll make this final adverse determination letter and the proposed adverse determination letter available for public inspection after deleting certain identifying information, as required by IRC Section 6110. Read the enclosed Letter 437, Notice of Intention to Disclose - Rulings, and review the two attached letters that show our proposed deletions. If you disagree with our proposed deletions, follow the instructions in the Letter 437 on how to notify us. If you agree with our deletions, you don't need to take any further action.

If you have questions about this letter, you can call the contact person shown above. If you have questions about your federal income tax status and responsibilities, call our customer service number at 800-829-1040 (TTY 800-829-4933 for deaf or hard of hearing) or customer service for businesses at 800-829-4933.

Sincerely,

Stephen A. Martin  
Director, Exempt Organizations  
Rulings and Agreements

**Enclosures:**  
Letter 437  
Redacted Letter 4034  
Redacted Letter 4038



**Department of the Treasury  
Internal Revenue Service**

**Date:**  
07/29/2025

**Employer ID number:**

**Person to contact:**

**Name:**

**ID number:**

**Telephone:**

**Fax:**

**Legend:**

B = State

C = Date

D = Date

E = Location

F = Number

**UIL:**

501.07-00

Dear :

We considered your application for recognition of exemption from federal income tax under Internal Revenue Code (IRC) Section 501(a). We determined that you don't qualify for exemption under IRC Section 501(c)(7). This letter explains the reasons for our conclusion. Please keep it for your records.

**Issues**

Do you qualify for exemption under IRC Section 501(c)(7)? No, for the reasons stated below.

**Facts**

You were incorporated in the state of B on C. Your tax-exempt status was automatically revoked on D, due to failure to file Form 990 Information Returns for three consecutive years. You are now applying for retroactive reinstatement of your tax-exempt status.

You state your sole activity is road maintenance for the private road your members share to access their properties. You have the roadside trimmed each year, do necessary repairs, and monitor drainage issues that may damage the road and repair as needed. Your activity is conducted on E, a long road that includes a percent grade hill. You also file the required annual inspection of the storm drains, as required by the city in which you reside.

of the residents living along the road previously had worked in or owned companies for road construction and maintenance. They have helped determine yearly needs for maintenance and repair and have made recommendations to the board elected by the members. The board then prioritizes the projects, plan for maintenance and repair work, assesses and bills residents.

Road maintenance is funded by assessing the F homeowners who use the road for annual expenses and repairs. There are no fees charged to members, only these assessments for the direct costs of the road maintenance and repair work. You do not own the road as it is an access road that you are required to maintain.

Your membership includes all home or property owners on E. You state that B requires any person owning a home on E to join your membership or at least pay their fair share of road maintenance expenses. You state that homeowners are required to pay for maintenance of the roadway in proportion to their use of E, with "use" being determined by the distance to accessing the individual's property. The copy of the Property Covenants and the Easement and Road Maintenance Agreement submitted both state that maintenance costs are shared equally by all lot owners.

#### **Law**

IRC Section 501(c)(7) exempts from federal income tax, clubs organized for pleasure, recreation, and other nonprofitable purposes, substantially all of the activities of which are for such purposes and no part of the net earnings of which inures to the benefit of any private shareholder.

Treasury Regulation Section 1.501(c)(7)-1(a) states that the exemption provided by IRC Section 501(a) for organizations described in IRC Section 501(c)(7) 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 inure to the benefit of any private shareholder. In general, this exemption extends to social and recreation clubs which are supported solely by membership fees, dues, and assessments.

Revenue Ruling 58-589, 1958-2 C.B. 266, stipulates expanded criteria for determining whether an organization qualifies for exemption under IRC Section 501(c)(7). An organization must establish (1) that it is a club both organized and operated exclusively for pleasure, recreation and other non-profitable purposes and (2) that no part of its net earnings inures to the benefit of any private shareholder or individual. To meet the first requirement, there must be an established membership of individuals, personal contacts, and fellowship. A commingling of the members must play a material part in the life of the organization.

Rev. Rul. 75-494, 1975-2 C.B. 214, provides that a club providing social and recreational facilities, whose membership is limited to homeowners of a housing development, will be precluded from qualifying for exemption under IRC Section 501(c)(7) by owning and maintaining residential streets, enforcing restrictive covenants, or providing residential fire and police protection and trash collection service.

#### **Application of law**

You are not described under IRC Section 501(c)(7) or Treas. Reg. Section 1.501(c)(7)-1(a) because substantially all of your activities are not for pleasure, recreation, or other nonprofit purposes. Your sole activity is the maintenance of a residential street and ditch.

You are similar to the nonexempt organization described in Rev. Rul. 58-589, held not to meet the definition of "club" in IRC Section 501(c)(7), as a substantial part of your activities are not devoted to providing opportunities for your members to engage in fellowship and commingling. You are not organized substantially for pleasure, recreation, or other non-profitable purposes as required by Section 501(c)(7).

You are similar to the organization described in Rev. Rul. 75-494 in that a substantial part of your activities are devoted to the maintenance of residential street and ditches. Providing this maintenance of a residential street

does not further pleasure, recreational, and other nonprofitable purposes described in Section 501(c)(7).

### **Conclusion**

You do not qualify for exemption under IRC Section 501(c)(7), because you maintain a residential street and ditch. You do not further pleasure, recreation, and other nonprofitable purposes and, for this reason, do not qualify for exemption under IRC Section 501(c)(7).

### **If you agree**

If you agree with our proposed adverse determination, you don't need to do anything. If we don't hear from you within 30 days, we'll issue a final adverse determination letter. That letter will provide information on your income tax filing requirements.

### **If you don't agree**

You have a right to protest if you don't agree with our proposed adverse determination. To do so, send us a protest within 30 days of the date of this letter. You must include:

- Your name, address, employer identification number (EIN), and a daytime phone number
- A statement of the facts, law, and arguments supporting your position
- A statement indicating whether you are requesting an Appeals Office conference
- The signature of an officer, director, trustee, or other official who is authorized to sign for the organization or your authorized representative
- The following declaration:

**For an officer, director, trustee, or other official who is authorized to sign for the organization:**

Under penalties of perjury, I declare that I have examined this request, or this modification to the request, including accompanying documents, and to the best of my knowledge and belief, the request or the modification contains all relevant facts relating to the request, and such facts are true, correct, and complete.

Your representative (attorney, certified public accountant, or other individual enrolled to practice before the IRS) must file a Form 2848, Power of Attorney and Declaration of Representative, with us if they haven't already done so. You can find more information about representation in Publication 947, Practice Before the IRS and Power of Attorney.

We'll review your protest statement and decide if you gave us a basis to reconsider our determination. If so, we'll continue to process your case considering the information you provided. If you haven't given us a basis for reconsideration, we'll send your case to the Appeals Office and notify you. You can find more information in Publication 892, How to Appeal an IRS Determination on Tax-Exempt Status.

If you don't file a protest within 30 days, you can't seek a declaratory judgment in court later because the law requires that you use the IRC administrative process first (IRC Section 7428(b)(2)).

### **Where to send your protest**

Send your protest, Form 2848, if applicable, and any supporting documents to the applicable address:

U.S. mail:

Internal Revenue Service  
EO Determinations Quality Assurance  
Mail Stop 6403  
PO Box 2508  
Cincinnati, OH 45201

Street address for delivery service:

Internal Revenue Service  
EO Determinations Quality Assurance  
550 Main Street, Mail Stop 6403  
Cincinnati, OH 45202

You can also fax your protest and supporting documents to the fax number listed at the top of this letter. If you fax your statement, please contact the person listed at the top of this letter to confirm that they received it.

You can get the forms and publications mentioned in this letter by visiting our website at [www.irs.gov/forms-pubs](http://www.irs.gov/forms-pubs) or by calling 800-TAX-FORM (800-829-3676). If you have questions, you can contact the person listed at the top of this letter.

**Contacting the Taxpayer Advocate Service**

The Taxpayer Advocate Service (TAS) is an independent organization within the IRS that can help protect your taxpayer rights. TAS can offer you help if your tax problem is causing a hardship, or if you've tried but haven't been able to resolve your problem with the IRS. If you qualify for TAS assistance, which is always free, TAS will do everything possible to help you. Visit [www.taxpayeradvocate.irs.gov](http://www.taxpayeradvocate.irs.gov) or call 877-777-4778.

Sincerely,

Stephen A. Martin  
Director, Exempt Organizations  
Rulings and Agreements