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DEC 27 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 information you submitted discloses that you were incorporated on [REDACTED], under the [REDACTED] Non-Profit Corporation Act. Your purposes and activities are to preserve and maintain a condominium project, to collect fees from the owners, to set aside money for future emergencies and major maintenance repairs, to provide property and liability insurance, and to promote the common good, health, safety and general welfare of the residents.

Membership is open to owners of a condominium unit automatically upon payment of a homeowner fee. Your support will be received from dues and assessments and then used for the maintenance of the condominiums.

Section 501(c)(4) of the Internal Revenue Code provides exemption for:

"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 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."

Revenue Ruling 74-17, 1974-1, C.B. 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 does not qualify for exemption under Section 501(c)(4) of the Code.

Initiator	Reviewer [REDACTED]	Reviewer	Reviewer	Reviewer	Reviewer	Reviewer
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Revenue Ruling 74-99, 1974-1, C.B. 131 states that a homeowners association to qualify for exemption under Section 501(c)(4) of the Code, (1) must serve a "community" which bears a reasonable recognizable relationship to an area ordinarily identified as governmental, (2) it must not conduct activities directed to the exterior maintenance of private residences and (3) the common areas or facilities it owns and maintains must be for the use and enjoyment of the general public.

Your purposes and activities are similar to the activities described in Revenue Ruling 74-17, where the organization was providing particular services for their members and not for a "community" benefit. Therefore, we conclude that you do not qualify for exemption from Federal income tax under Section 501(c)(4) of the Code.

Accordingly 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 is possible that you may qualify for treatment under Section 528, which is applicable to certain homeowners associations. The Internal Revenue Service is not ruling on the question of whether the organization qualifies for treatment under Section 528. There are no application forms to be filed. If you believe you qualify for such treatment you should file Form 1120-R.

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 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.

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.

Sincerely yours,


District Director

Enclosures:
Form 1120-R
Form 6018
Publication 892