

[REDACTED]

CERTIFIED

[REDACTED]

NOV 20 1985

Dear Applicant:

Your application for exemption from Federal Income Tax under the provisions of section 501(c)(6) of the Internal Revenue Code has been considered.

The information submitted shows that you were incorporated [REDACTED] for the purpose of providing management and control of the common areas of [REDACTED] in [REDACTED].

Each owner of a lot or of a living unit on a lot shall be a member of this Association. Your source of income is derived from dues collected from members.

Section 501(c)(6) of the Code provides exemption from Federal income tax for business leagues, chambers of commerce, real estate boards, and boards of trade, not organized for profit and no part of the net earnings of which inures to the benefit of any private shareholder or individual. Thus, in order for an organization to be exempt under the provisions of the statute, no financial benefit can inure to a shareholder or private individual.

Section 1.501(c)(6)-1 of the Income Tax Regulations states that the activities of a business league should be directed to the improvement of business conditions of one or more lines of business as distinguished from the performance of particular services for individual persons.

Revenue Ruling 74-17 held that an organization formed by unit owners of a condominium housing project to provide for the management, maintenance, and care of the common areas of the project, as defined by State statute, with membership assessments paid by unit owners does not qualify for exemption under section 501(c)(4) of the Code.

Revenue Ruling 69-280 held that a nonprofit organization formed to provide maintenance of exterior walls and roofs of houses of members who own houses in a development is not exempt as a social welfare organization under section 501(c)(4).

In view of the above it is our conclusion that you do not qualify under section 501(c)(6) of the Code, as you are not formed to improve the conditions of one or more lines of business. You are also not exempt as a social welfare organization described in section 501(c)(4) of the Internal Revenue Code.

[REDACTED]

You are required to file Federal income tax returns, Form 1120.

Section 528 of the Internal Revenue Code provides for an election for Homeowners Associations whereby they may file an election to be treated as tax exempt organizations, if an election is made, the Association is not taxed on its exempt function income.

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 reached 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 must be met. We have enclosed Publication 592, Exempt Organization Appeal Procedures for Adverse Determinations, which explains in detail your rights and procedure.

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

Very truly yours,

[REDACTED]

District Director

enclosures: Form 6018
Pub. 592