[redacted]

[redacted]

APR 26 1989

Dear Sir or Madam:

We have considered your application for recognition of exemption from Federal income tax as an organization described in section 501(c)(4) of the Internal Revenue Code.

Your information submitted discloses that you were organized on [redacted], to construct and maintain the private roads situated within and upon the [redacted].

Your receipts are derived from yearly assessments from every stockholder. Your expenditures are for snow removal and repairs to [redacted] Road. You are the legal owner of [redacted] Road and have stated that you were formed by [redacted], who put in the road and developed the land for residential housing.

Section 501(c)(4) of the Code provides for the recognition of exemption of civic leagues or organizations not organized for profit but operated exclusively for the promotion of social welfare.

Section 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 for the purpose of bringing about civic betterments and social improvements.

Revenue Ruling 74-99, 1974-1 C.B., page 131, provides that a homeowners association must serve a "community" which bears a reasonable recognizable relationship to an area ordinarily identified as governmental in order to qualify under Code section 501(c)(4). A "community" within the meaning of section 501(c)(4) of the Code and the regulations is not simply an aggregation of homeowners bound together in a structured unit formed as an integral part of a plan for the development of a real estate subdivision and the sale and purchase of homes therein.

The area served by your activities consists of a structured unit formed as an integral part of a residential housing development plan. Such an area does not constitute a "community" within the meaning of Code section 501(c)(4) and the underlying Regulations. You therefore do not qualify for exemption from Federal income tax as an organization described in section 501(c)(4) of the Code.

[redacted]

In accordance with this determination, you are required to file Federal income tax returns on Form 1120. Your attention is called to Code section 528, which provides certain procedures by which qualifying Homeowners Associations may elect to be treated as a tax exempt organization. The enclosed Publication 588 describes the requirements for exemption under Section 528.

If you do not accept our findings, we recommend that you request a conference with a member of our Regional office conference staff. Your request for a conference should include a written appeal giving the facts, law, and any other information to support your position as explained in the enclosed Publication 892. You will then be contacted to arrange a date for a conference. The conference may be held at the Regional office, or if you request, at any mutually convenient District office. If we do not hear from you within 30 days of the date of this letter, this determination will become final.

Sincerely yours,

[redacted]

District Director

Enclosure: Publication 892
Publication 588