[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

JUN 0 9 1982

Dear Applicant:

We have considered your application for exemption from Federal income tax as an organization described in section 501(c)(7) of the Internal Revenue Code.

The evidence submitted indicates that you were incorporated [redacted] under the laws of [redacted].

Your purpose is to engage in the management, improvement, promotion and protection as property owners of real estate known as [redacted] and to engage in the furtherance of exempt purposes of any lawful business conducted on a not for business basis.

All property owners of the [redacted] Subdivision must join your association. Your main activity is enforcing the restrictions and covenants contained in all of the lot owners' deeds. This is carried out through various subcommittees. The Enforcement and Protection Committee insures there are no trespassers in the area, no unauthorized person utilizing the lake, and adherence to other rights specified in the deeds. The Housing and Development Committee enforces the covenants pertaining to the preservation of the architecture and appearance of the development. This committee reviews all building plans for proposed homes.

Your sources of income are members' dues and assessments. Your disbursements are for rental of a meeting hall and fish stocking of the lake.

Section 501(c)(7) of the Internal Revenue Code provides for the exemption of 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.

[redacted]

Section 1.501(c)(7) of the Income Tax Regulations provides that exemption by section 501(a) for organizations described in section 501(c)(7) applies only to clubs which are organized and operated exclusively for pleasure, recreation and other nonprofitable purposes.

Revenue Ruling 75-494 provides that a club which administers and enforces covenants for the preservation of the architecture and appearance of the housing development is not operated exclusively for pleasure, recreation, and other nonprofitable purposes as required by section 501(c)(7) of the Code.

Based on the submitted evidence, since you administer and enforce covenants for the preservation of the architecture and appearance of the development, you are not operated exclusively for pleasure, recreation and other nonprofitable purposes. Therefore, you do not qualify for exemption under section 501(c)(7) of the Internal Revenue Code.

We have also considered whether your organization could qualify for exemption under section 501(c)(4) of the Code. However, since Revenue Ruling 80-63 provides that the use and enjoyment of the common areas owned and maintained by a homeowners' association must be extended to members of the general public, as distinguished from controlled use or access restricted to the members of the association, you do not qualify for exemption under section 501(c)(4) of the Code either.

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

You have the right to appeal this determination if you believe that it is incorrect. To appeal, please refer to the enclosed Publication 892.

If you do not appeal within thirty days from the date of this letter, this determination will become final.

Sincerely yours,

[redacted]
District Director

Encl: Pub. 892

[redacted]