

Internal Revenue Service

District
Director

Department of the Treasury

"OFFICE COPY"

P.O. Box 32509
Detroit, MI 48232

Person to Contact:

Telephone Number:

Refer Reply to:

Date:

JUN 24 1961

Gentlemen:

This is in reply to your application for tax exempt status under the provisions of Section 501(c)(4) of the Internal Revenue Code of 1954.

Your application reveals that you were incorporated under the laws of the State of [REDACTED] on [REDACTED] for the following purposes:

- a. To manage and administer the affairs of and to maintain the [REDACTED], hereinafter referred to as "Association", an association of homeowners of all of Block [REDACTED], Block [REDACTED], Block [REDACTED], Lot [REDACTED] of Block [REDACTED], Lots [REDACTED], [REDACTED], [REDACTED], and [REDACTED] of Block [REDACTED] in the [REDACTED] subdivision;
- b. To levy and collect assessments against and from the members of the association and to use the proceeds thereof for the purposes of the association;
- c. To carry insurance and to collect and allocate the proceeds thereof;
- d. To rebuild improvements after casualty;
- e. To contract for and employ persons, firms, or corporations to assist in management, operation, maintenance, and administration of said Community Park;
- f. To make and enforce reasonable regulations concerning the use and enjoyment of said Community Park;
- g. To borrow money and issue evidences of indebtedness in furtherance of any or all of the objects of its business; to secure the same by mortgage, pledge or other lien.

h. To enforce the provisions of the By-Laws of the Association and of these Articles of Incorporation and such By-Laws and Rules and Regulations of this association as may hereafter be adopted;

i. In general to enter into any kind of activity: to make and perform any contract and to exercise all powers necessary, incidental or convenient to the administration, management, maintenance, repair, replacement and operation of said association and to the accomplishment of any of the purposes thereof;

j. To maintain, care for and improve roadways serving all property listed in Article II a. above, including, but not limited to, snow and ice removal.

It was further revealed in your application that the areas your organization maintains, such as your parking lots, sidewalks, etc., are not open to the use of the general public but is restricted to your members.

Section 501(c)(4) of the Internal Revenue Code of 1954 provides exemption for Civic leagues or organizations not organized for profit but operated exclusively for the promotion of social welfare or local associations of employees, the membership of which is limited to the employees of a designated person or persons in a particular locality and the net earnings of which are devoted exclusively to charitable, educational, or recreational purposes.

Revenue Ruling 74-20, 1974-10 CB 131 states that for a homeowners organization to qualify for exemption its areas such as roadways and parklands, must be open to the use and enjoyment of the general public. This is further clarified in Revenue Ruling 80-63, 1980-1 CB 116.

Since your organization is not in compliance with Revenue Ruling 74-20, and Revenue Ruling 80-63, it is held that you are not operating exclusively for purposes described in Section 501(c)(4). Therefore you are required to file Federal Income Tax Return Form 1120.

If you do not accept our findings, we recommend that you request a conference with a member of our Regional office appeals 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 802. You will then be contacted to arrange a date for a conference. The conference may be held at the Regional office or, if you prefer, at a mutually convenient District office. If you agree with our findings, please return the Form 6012 enclosed and return to this office.

If we have not received an appeal within 30 days from the date of this letter, this will become our final determination.

Further instructions concerning protests are contained in the enclosed Publication 802.

Any submissions 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.

Sincerely yours,


Acting District Director

Enclosures:
Form 6018
Publication 892