Internal Revenue Service

District Director

[redacted]

Department of the Treasury

P.O. Box 2508
Cincinnati, Ohio 45201

Person to Contact:
[redacted]

Telephone Number:
[redacted]

Refer Reply to:
[redacted]

Date: JAN 7 1982

Dear Sir or Madam: [redacted]

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 of 1954.

The information submitted discloses that you were incorporated in the State of [redacted] on [redacted]. Your purpose as set forth in the Articles of Incorporation is as follows:

> To function as the "Unit Owners Association" as provided in the Declaration creating and establishing a plan for condominium ownership for [redacted], located in the City of [redacted], [redacted] County, [redacted], said property being submitted to the provisions of Chapter [redacted] of the Revised Code of [redacted].

Your Articles of Incorporation also state that the members of your corporation

> "shall be every person or entity who is a record owner of a fee interest in any unit of [redacted], but excluding such persons or entities holding any interest merely as a security for the performance of an obligation. Membership is appurtenant to said ownership and may not be separated from ownership of any unit."

According to a letter dated [redacted], from [redacted], the condominium property is not used for residential purposes, but for office space and non-residential storage space.

Your activities consist of collecting the proportionate share of membership dues from each unit owner; disbursing funds for repairs and maintenance, bank charges, insurance, clerical and legal fees and utilities; and holding meetings as deemed necessary to carry out the association's activities.

[redacted]

Your income is derived from membership fees. Expenditures are made for repairs and maintenance, bank charges, insurance, clerical and legal fees and utilities.

Section 501(c)(4) of the Code provides in part for the exemption of 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 states 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 74-17, 1974-1 C.B. 11, provides 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, as defined by State statute, with membership assessments paid by the unit owners does not qualify for exemption under section 501(c)(4) of the Code. It was held that the organization's activities were for the private benefit of its members and therefore was not operated exclusively for the promotion of social welfare.

Revenue Ruling 69-280, 1969-1 C.B. 152 provides that a nonprofit organization formed to provide specified services such as the maintenance of exterior walls and roofs for the home owners in a housing development is not exempt as a social welfare organization under section 501(c)(4) of the Code. It was held that the organization was performing services that its members would otherwise have to provide for themselves and therefore, was a private cooperative enterprise for the economic benefit or convenience of the members. It was also held that the organization was operated primarily for the private benefit of members and any benefits to the community were not sufficient to meet the requirement of the regulations that the organization be operated primarily for the common good and general welfare of the people of the community.

Although your condominium property is not used for residential purposes we feel that the rationales set forth in Rev. Rul. 74-17 and Rev. Rul. 69-280 are applicable to your situation.

Accordingly, we have determined that your organization is performing services that your members would otherwise have to provide for themselves and that you are a private cooperative enterprise for the economic benefit of your members.

As your organization is not operated exclusively for the promotion of social welfare, we propose to deny your application for recognition of exemption under section 501(c)(4) of the Code. We are also of the opinion that you do not qualify under any other section of the Code.

As your organization has not established exemption from Federal income tax, it will be necessary for you to file an annual income tax return on Form 1120.

[redacted]

If you are in agreement with our proposed denial, please sign and return the enclosed Form 6018, Consent to Proposed Adverse Action.

You have a right to protest this proposed determination if you believe that it is incorrect. To protest, you should submit a written appeal giving the facts, law, and any other information to support your position as explained in the enclosed Publication 892 (Rev. 8-78), "Exempt Organization Appeal Procedures for Unagreed Issues". The appeal must be submitted within 30 days from the date of this letter and must be signed by one of your principal officers. You may request a hearing with a member of the office of the Regional Director of Appeals when you file your appeal. If a hearing is requested, you will be contacted to arrange a date for it. The hearing may be held at the Regional Office, or, if you request, at any mutually convenient District Office. If you are to be represented by someone who is not one of your principal officers, he must file a proper power of attorney and otherwise qualify under our Conference and Practice Requirements as set forth in section 601.502 of the Statement of Procedural Rules. See Treasury Department Circular No. 230.

If we do not hear from you within the time specified, this determination will become final.

Sincerely yours,

[redacted]

[redacted]
District Director

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