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MAY 10 1983

Dear Applicant:

We have considered your application for recognition of exemption from Federal income tax under section 501(c)(7) of the Internal Revenue Code.

The data you submitted shows that you are organized as a corporation to own, operate, and maintain the common areas, roads, and other facilities of [redacted]. You engage in no other activities.

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

> "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."

Revenue Ruling 75-494 holds that a club which provides social and recreational facilities, and whose membership is limited to homeowners of a particular housing development, will be precluded from qualifying for exemption under section 501(c)(7) of the Code if it also owns and maintains residential streets, enforces restrictive covenants, or provides residential fire and police protection and trash collection service.

The conclusions reached in Revenue Ruling 75-494 are applicable to your organization since you are a form of homeowner association, and you have applied for exemption under section 501(c)(7). The information you supplied indicates you will own and maintain a parking area surrounding your condominiums. This parking area <u>primarily</u> serves the residential area of your association even though your members must use the parking area to get to your club's social facilities. Revenue Ruling 75-494 dealt specifically with this issue and held that a club which owns and maintains residential streets is not operated exclusively for pleasure, recreation, and other nonprofitable purposes as required by section 501(c)(7) of the Code. A second problem is that you enforce covenants for preserving the architecture and appearance of your condominium development. Revenue Ruling 75-494 says a club which administers and enforces covenants for the preservation of the architecture and appearance of the housing development is not operated exclusively for

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name		[redacted]					

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pleasure, recreation, and other nonprofitable purposes as required by section 501(c)(7) of the Code.

Based on the foregoing we have determined that you are not exempt as an organization described in Code section 501(c)(7). It follows, therefore, that you are required to file Federal income tax returns on Form 1120.

If you do not agree with these conclusions, you may, within 30 days from the date of this letter, file in duplicate a brief of the facts, law, and argument that clearly sets forth your position. If you desire an oral discussion of the issue, please indicate this in your protest. The enclosed Publication 892 gives instructions for filing a protest.

If you do not file a protest with this office within 30 days of the date of this report or letter, this proposed determination will become final.

If you agree with these conclusions or do not wish to file a written protest, please sign and return Form 6018 in the enclosed self-addressed envelope as soon as possible.

If you have any further questions, please contact the person whose name and telephone number are shown at the beginning of this letter.

Sincerely yours,

[redacted]

District Director

Enclosures
Publication 892
Form 6018