

[REDACTED]

[REDACTED]

[REDACTED]

JUL 28 1981

Dear Applicant:

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

The evidence submitted discloses that you were incorporated [REDACTED], under the nonprofit laws of the State of [REDACTED]. Your purposes, briefly stated are:

"to assure the beauty, safety and stability of the area and the surrounding community, to promote neighborliness and pride among the residents, and to form a base for representation in matters affecting the [REDACTED] community.

Section 501(c)(4) of the Internal Revenue Code provides exemption for:

"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 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 primarily for the purpose of bringing about civic betterment and social improvements."

[REDACTED]

Revenue Ruling 74-90 states that "a homeowners' association to qualify for exemption under section 501(c)(4) of the Code, (1) must serve a 'community' which bears a reasonable recognizable relationship to an area ordinarily identified as governmental (2) it must not conduct activities directed to the exterior maintenance of private residences, and (3) the common areas or facilities it owns and maintains must be for the use and enjoyment of the general public." Your community is not identifiable as a governmental unit.

On the basis of the information submitted, we conclude that you are not exempt from Federal income tax under code section 501(c)(4). Therefore you are required to file Federal income tax returns on Form 1120.

Section 528 of the Internal Revenue Code provides that certain home owner associations may elect to file Form 1120-N which, in effect, permits the exclusion of exempt function income from gross income. This election must be made timely and must be made each year. Enclosed is a Form 1120-N for your information.

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 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:
Form 1120-N
Form 892