NOV 3 1983

Employer Identification Number: █████████

Dear Applicant:

We have considered your application to be exempt from federal income tax as a cooperative corporation under section 501(c)(12) of the Internal Revenue Code.

Your Articles of Incorporation indicate that you were incorporated on ██████████████, as "an Authority under the provisions of Act ████, Public Acts of ██████████████, as amended." Your Articles indicate that you were created by ████ municipalities (townships). Your purposes involve water and sewage types of services for an area of ████ homes. Your annual accounting period ends █████████. You plan to issue municipal bonds. You do not assert that you are financially operated as a cooperative by and for member patron users.

Section 501(c)(12) of the Code allows, in pertinent part, exemption from federal income tax for cooperatives who supply water utility services to their patrons on a cooperative basis, provided that at least 85% of the gross income is from the members of the cooperative.

Revenue Ruling 72-36, 1972-1 C.B. 151, describes the cooperative method of operation. In general, patrons (users/customers) are entitled to be the owners of the equity in the assets of the cooperative in proportion to the value or volume of their patronage (use) of the cooperative. Accounting records must be kept to show each individual patron's share of the cooperative's equity, based upon that patron's patronage during each tax year. Upon dissolution, patrons are entitled to return of their capital accounts.

In your case, you have not asserted or shown that you are financially organized or operated as a cooperative. Consequently, we find that you have failed to establish that you are a cooperative as that term is discussed in Revenue Ruling 72-36.

Accordingly, we rule that you do not qualify for exemption from federal income tax as a cooperative under section 501(c)(12) of the Code. Consequently, you may be subject to the requirements for filing federal income tax returns, unless some other provision is applicable in that regard.

███████████████████████████████████████

        You have a right to protest this ruling if you believe that
it is incorrect.  To protest, you should submit a statement of your
views with a full explanation of your reasoning.  This statement,
signed by one of your principal officers, must be submitted within
30 days from the date of this letter.  You also have a right to a
conference in this office after your statement is submitted.  You
must request the conference, if you want one, when you file your
protest statement.  If you are to be represented by someone who is
not one of your principal officers, that person must have on file
a proper power of attorney and otherwise qualify under our
Conference and Practice Procedures.

        If you submit a protest statement with respect to this case,
please address your envelope to:  Internal Revenue Service;
███████████████████████; 1111 Constitution Ave., NW; Washington, DC
20224.

        If we do not hear from you within 30 days, this ruling will
be in effect, and a copy will be forwarded to your key District
Director, Cincinnati.  Thereafter, any questions about this federal
income tax matter or the filing of tax returns may be addressed to
that office.

        For your general information, it appears that, if you want a
ruling letter as to whether your entity's income is nontaxable as
that of a governmental unit, a ruling request letter, with copies
of relevant organizational documents and laws, could be addressed
to another office of the Internal Revenue Service, namely, the
Associate Chief Counsel (Financial Institutions and Products),
which has jurisdiction over section 115 of the Internal Revenue
Code concerning nontaxation of governmental utility income. That
office does not use Form 1024, which you have submitted to us, but
can consider a ruling request letter, provided that it is submitted
in accordance with Revenue Procedure 89-1, 1989-1 I.R.B. 8, and
Revenue Procedure 89-34. 1989-20 I.R.3 145.

                                Sincerely yours,


                                ████████████████████
                                ████████████████████

                                Chief, Exempt Organizations
                                Rulings Branch 1

cc: DD, Cincinnati  Attn: EO Group