[redacted]

[redacted]

SEP 1 1987

Dear Sir or Madam:

We have considered your application for recognition of exemption from Federal income tax under section 501(c)(6) of the Internal Revenue Code.

The information submitted shows that you were incorporated on [redacted], under the [redacted] Non-Profit Corporation Act.

Your purpose briefly stated is to provide for the preservation and maintenance of [redacted].

Members are assessed monthly fees for the purpose of paying taxes, insurance, common utilities, yard maintenance, and other activities related to the ongoing maintenance of the property.

Every person or entity who is a record owner of a fee or undivided interest in any condominium unit which is subject by the Declaration to assessment of the Association, including contract sellers, shall be a member of the the Association and shall be entitled to one vote for each unit owned.

Section 501(c)(6) of the Internal Revenue Code provides exemption for:

> "Business leagues, chambers of commerce,...not organized for profit and no part of the net earnings of which inures to the benefit of any private shareholder or individual."

Section 1.501(c)(6)-1 of the Income Tax Regulations provides that, for an organization to be exempt, its activities must be:

> "...directed to the improvement of business conditions of one or more lines of business as distinguished from the performance of particular services for individual persons..."

	Initiator	Reviewer	Reviewer	Reviewer	Reviewer	Reviewer	Reviewer
Code		[redacted]					
Surname		[redacted]					
Date		9-1-87					

[redacted]

Section 1.501(c)(6)-1 of the regulations provides as follows:

> "A business league is an association of persons having some common business interest, the purpose of which is to promote such common interest and not to engage in a regular business of a kind ordinarily carried on for profit. It is an organization of the same general class as a chamber of commerce or board of trade. Thus, its activities should be directed to the improvement of business conditions of one or more lines of business as distinguished from the performance of particular services for individual persons. An organization whose purpose is to engage in a regular business of a kind ordinarily carried on for profit, even though the business is conducted on a cooperative basis or produces only sufficient income to be self-sustaining, is not a business league. ***"

You are not promoting a common business interest, and your activities are not directed to the improvement of business conditions of one or more lines of business. You are providing particular services to your members that they would otherwise have to provide for themselves. Therefore, we conclude you are not entitled to exemption under Code section 501(c)(6).

Although exemption under section 501(c)(4) was not requested, we have considered whether your organization would qualify under section 501(c)(4) of the Code.

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."

Revenue Ruling 74-17, 1974-1 C.B. 130, holds 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, with membership assessments paid by the unit owners does not qualify for exemption under section 501(c)(4) of the Code.

The concept of social welfare implies a service or program directed at benefitting the entire community rather than a private group of individuals. Like the organization described in Revenue Ruling 74-17, you are providing services to your members that they would otherwise have to provide for

[redacted]

However, you are a private cooperative enterprise for the economic benefit and convenience of your members. Any benefits to the community are not sufficient to meet the requirements of the regulations that you will be operated primarily for the common good and general welfare of the people of the community.

Therefore, we have concluded that you would not meet the requirements for exemption under Code section 501(c)(4).

Although you do not qualify for exemption under section 501(c)(4) or [illegible] of the Code, you may qualify for treatment under Code section [illegible], [illegible] cooperatives. Enclosed for your information is Publication [illegible].

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

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,

[redacted]

District Director

Enclosures:
Publication 58[illegible]
Form 6018
Publication 892