



Department of the Treasury
Internal Revenue Service
Tax Exempt and Government Entities
PO Box 2508
Cincinnati, OH 45201

Date:
05/02/2025
Employer ID number:

Form you must file:
1120
Tax years:
All
Person to contact:

Release Number: 202530017
Release Date: 7/25/2025
UIL Code: 501.04-00, 501.04-07

Dear :

This letter is our final determination that you don't qualify for exemption from federal income tax under Internal Revenue Code (IRC) Section 501(a) as an organization described in IRC Section 501(c)(4). Recently, we sent you a proposed adverse determination in response to your application. The proposed adverse determination explained the facts, law, and basis for our conclusion, and it gave you 30 days to file a protest. Because we didn't receive a protest within the required 30 days, the proposed determination is now final.

You must file the federal income tax forms for the tax years shown above within **30 days** from the date of this letter unless you request an extension of time to file. For further instructions, forms, and information, visit www.irs.gov.

We'll make this final adverse determination letter and the proposed adverse determination letter available for public inspection after deleting certain identifying information, as required by IRC Section 6110. Read the enclosed Letter 437, Notice of Intention to Disclose - Rulings, and review the two attached letters that show our proposed deletions. If you disagree with our proposed deletions, follow the instructions in the Letter 437 on how to notify us. If you agree with our deletions, you don't need to take any further action.

If you have questions about this letter, you can call the contact person shown above. If you have questions about your federal income tax status and responsibilities, call our customer service number at 800-829-1040 (TTY 800-829-4933 for deaf or hard of hearing) or customer service for businesses at 800-829-4933.

Sincerely,

Stephen A. Martin
Director, Exempt Organizations
Rulings and Agreements



Department of the Treasury
Internal Revenue Service
PO Box 2508
Cincinnati, OH 45201

Date:
03/06/2025
Employer ID number:

Person to contact:
Name:
ID number:
Telephone:
Fax:

Legend:

X = Date
Y = State

UIL:
501.04-00
501.04-07

Dear _____ :

We considered your application for recognition of exemption from federal income tax under Internal Revenue Code (IRC) Section 501(a). We determined that you don't qualify for exemption under IRC Section 501(c)(4). This letter explains the reasons for our conclusion. Please keep it for your records.

Issues

Do you qualify for exemption under IRC Section 501(c)(4)? No, for the reasons stated below.

Facts

You were formed as a mutual benefit corporation on X in the state of Y. Your purpose is to provide for the maintenance, preservation, leasehold, taxes, insurance and other sharing of a condominium project. If dissolved, your assets go to your member in proportion to their ownership interest. In the application you stated that you were a business unit association, analogous to a homeowner's association, but with businesses. You lease the land underlying the condominium property under a land lease agreement from an unrelated third party. Except for one unit presently used for residential purposes, your unit owners are businesses. Your association consists of one building.

Your bylaws stipulate that each unit must be used for commercial purposes as permitted under the land lease agreement. A unit owner may sell, rent, or lease their unit subject to certain conditions. Unit owners are responsible for internal maintenance. You are responsible for exterior maintenance, including parking lots, sidewalks, grass, shared systems, as well as repairs and maintenance for the roof and walls. You also have public restrooms and provide some services such as trash removal. Each unit owner is accorded one membership in your organization which entitles the member to have a single vote for the election of your governing board of directors.

Monthly dues are most of your revenues. These cover taxes, insurance, maintenance costs, and the lease for the land. Maintenance costs may be covered by special assessments.

Letter 4034 (Rev. 01-2021)
Catalog Number 47628K

Law

IRC Section 501(c)(4) provides for the exemption from federal income tax of organizations not organized for profit but operated exclusively for the promotion of social welfare.

Treasury Regulation Section 1.501(c)(4)-1(a)(1) states a civic league or organization may be exempt under IRC Section 501(c)(4) if it is not organized or operated for profit and it is operated exclusively for the promotion of social welfare.

Treas. Reg. Section 1.501(c)(4)-1(a)(2)(i) 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. This means that is operated primarily for the purpose of bringing about civic betterments and social improvements.

Rev. Rul. 69-280, 1969-1 C.B. 152, states that a homeowner's association formed to maintain exterior wall and roofs of members' homes was not exempt under IRC Section 501(c)(4) due to its operation for the economic benefit or convenience of its members. The basis for this decision was the organization performed services for its members (private cooperative enterprise), for a fee, and operated primarily for the benefit of its members. The services provided would otherwise have to be provided by the members for themselves.

Rev. Rul. 74-17, 1974-1 C.B. 130, states that a condominium owner's association maintaining the common areas is not exempt under IRC Section 501(c)(4). This was because the unit owners were tenants in common, therefore maintenance was a provision for private economic benefit and not the promotion of social welfare. It cited the essential nature of a condominium association has owners as members, relies on assessments against owners, and provided a service (maintenance).

In Commissioner vs. Lake Forest, Inc., 305 F.2d 814 (4th Cir. 1962), the court held that an organization formed to assist veterans to purchase and finance their homes was not exempt because the benefits provided were an economic undertaking for limited individuals. In this instance, the organization secured a home in a housing project, for individuals, for a fee. Therefore, it was not exempt under IRC Section 501(c)(4).

In Contracting Plumbers Cooperative Restoration Corp., v. United States, 488 F.2d 684 (2d Cir. 1973), an organization made to correct an inefficient city repair system but limiting its repair work to its members' activities was held to be not exempt. While the court found that the program provided substantial benefits to the public, it concluded that the organization primarily served the private economic interests of its members and, thus, could not be considered exempt under IRC Section 501(c)(4) of the Code.

Application of law

Based on the information submitted, you have failed to establish that you are operated exclusively for exempt purposes within the meaning of IRC Section 501(c)(4) and the related income tax regulations.

Treas. Reg. 1.501(c)(4)-1(a)(2)(i) requires that an organization promote the common good and welfare of a community. By itself, a single building is not a community.

You provide certain services to your members in exchange for a fee. For paying the fees your members receive a location, exterior maintenance, trash removal, and repair for roof and walls. Your members are mostly commercial for-profit businesses, which you require, making the services a convenience for your members.

Therefore, you are operated to serve your member's economic interests, and any benefit to the people of the community is incidental. Thus, you do not exclusively promote social welfare as defined in Treas. Reg. Sections 1.501(c)(4)-1(a)(1) and 1.501(c)(4)-1(a)(2)(i).

You are similar to the organizations described in Rev. Rul. 69-280 and Rev. Rul. 74-17. While the organization types may differ, your activities are the same. You have limited membership and exchange services for a fee, which caused both organizations to be deemed a private cooperative enterprise for the economic benefit of their members. Therefore, you do not qualify for exemption under IRC Section 501(c)(4).

You are similar to the organizations described in Lake Forest, Inc. and Contracting Plumbers Cooperative Restoration Corp., which were operated for the private economic benefit of their members. You provide services to for-profit businesses and individuals, doing things they would have to do for themselves, or otherwise reducing their costs. Similar to both organizations, you limit your services to members, making any community benefit incidental. Therefore, you are also operated for the private economic benefit of your members and do not qualify for exemption under IRC Section 501(c)(4).

Conclusion

You limit your membership and provide services for a fee. You are a private cooperative enterprise, operating primarily for the economic benefit of your members, and do not meet the community standard. Therefore, you are not exempt under IRC Section 501(c)(4).

If you agree

If you agree with our proposed adverse determination, you don't need to do anything. If we don't hear from you within 30 days, we'll issue a final adverse determination letter. That letter will provide information on your income tax filing requirements.

If you don't agree

You have a right to protest if you don't agree with our proposed adverse determination. To do so, send us a protest within 30 days of the date of this letter. You must include:

- Your name, address, employer identification number (EIN), and a daytime phone number
- A statement of the facts, law, and arguments supporting your position
- A statement indicating whether you are requesting an Appeals Office conference
- The signature of an officer, director, trustee, or other official who is authorized to sign for the organization or your authorized representative
- The following declaration:

For an officer, director, trustee, or other official who is authorized to sign for the organization:

Under penalties of perjury, I declare that I have examined this request, or this modification to the request, including accompanying documents, and to the best of my knowledge and belief, the request or the modification contains all relevant facts relating to the request, and such facts are true, correct, and complete.

Your representative (attorney, certified public accountant, or other individual enrolled to practice before the IRS) must file a Form 2848, Power of Attorney and Declaration of Representative, with us if you haven't already done so. You can find more information about representation in Publication 947, Practice Before the IRS and Power of Attorney.

We'll review your protest statement and decide if you gave us a basis to reconsider our determination. If so, we'll continue to process your case considering the information you provided. If you haven't given us a basis for reconsideration, we'll send your case to the Appeals Office and notify you. You can find more information in Publication 892, How to Appeal an IRS Determination on Tax-Exempt Status.

If you don't file a protest within 30 days, you can't seek a declaratory judgment in court later because the law requires that you use the IRC administrative process first (IRC Section 7428(b)(2)).

Where to send your protest

Send your protest, Form 2848, if applicable, and any supporting documents to the applicable address:

U.S. mail:

Internal Revenue Service
EO Determinations Quality Assurance
Mail Stop 6403
PO Box 2508
Cincinnati, OH 45201

Street address for delivery service:

Internal Revenue Service
EO Determinations Quality Assurance
550 Main Street, Mail Stop 6403
Cincinnati, OH 45202

You can also fax your protest and supporting documents to the fax number listed at the top of this letter. If you fax your statement, please contact the person listed at the top of this letter to confirm that they received it.

You can get the forms and publications mentioned in this letter by visiting our website at www.irs.gov/forms-pubs or by calling 800-TAX-FORM (800-829-3676). If you have questions, you can contact the person listed at the top of this letter.

Contacting the Taxpayer Advocate Service

The Taxpayer Advocate Service (TAS) is an independent organization within the IRS that can help protect your taxpayer rights. TAS can offer you help if your tax problem is causing a hardship, or if you've tried but haven't been able to resolve your problem with the IRS. If you qualify for TAS assistance, which is always free, TAS will do everything possible to help you. Visit www.taxpayeradvocate.irs.gov or call 877-777-4778.

Sincerely,

Stephen A. Martin
Director, Exempt Organizations
Rulings and Agreements