



Department of the Treasury
Internal Revenue Service
Tax Exempt and Government Entities

Date:
06/12/2025
Employer ID number:

Form you must file:

Tax years:

Person to contact:

Release Number: 202536033
Release Date: 9/5/2025
UIL Code: 501.03-00, 501.03-30

Dear [REDACTED]:

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)(3). 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.

Because you don't qualify as a tax-exempt organization under IRC Section 501(c)(3), donors generally can't deduct contributions to you under IRC Section 170.

We may notify the appropriate state officials of our determination, as required by IRC Section 6104(c), by sending them a copy of this final letter along with the proposed determination letter.

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**

Date:
04/18/2025
Employer ID number:

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

Legend:

B = Date
C = State
D = Organization
E = Date

UIL:

501.03-00
501.03-30

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)(3). 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)(3)? No, for the reasons stated below.

Facts

You submitted Form 1023-EZ, Streamlined Application for Recognition of Exemption under Section 501(c)(3) of the Internal Revenue Code.

You attest that you were incorporated on date B, in the state of C. You attest that you have the necessary organizing document, that your organizing document limits your purposes to one or more exempt purposes within the meaning of Section 501(c)(3), that your organizing document does not expressly empower you to engage in activities, other than an insubstantial part, that are not in furtherance of one or more exempt purposes, and that your organizing document contains the dissolution provision required under Section 501(c)(3).

You attest that you are organized and operated exclusively to further charitable purposes. You attest that you have not conducted and will not conduct prohibited activities under Section 501(c)(3). Specifically, you attest you will:

- Refrain from supporting or opposing candidates in political campaigns in any way
- Ensure that your net earnings do not inure in whole or in part to the benefit of private shareholders or individuals
- Not further non-exempt purposes (such as purposes that benefit private interests) more than

insubstantially

- Not be organized or operated for the primary purpose of conducting a trade or business that is not related to your exempt purpose(s)
- Not devote more than an insubstantial part of your activities attempting to influence legislation or, if you made a Section 501(h) election, not normally make expenditures in excess of expenditure limitations outlined in Section 501(h)
- Not provide commercial-type insurance as a substantial part of your activities

You were formed to maintain common area properties of D. Your activities include grass cutting, landscaping, parking lot lighting, and maintenance as needed. You charge D property owners fees based on actual expenses by each property owner's square footage. Your yearly expenses are landscaping, parking lot lighting, tree cutting and maintenance, and parking lot repairs.

A copy of your Articles of Incorporation was obtained from the C Secretary of State website. It shows that you were formed on E as a non-profit corporation. There is no purpose or dissolution clause in the document.

Law

Internal Revenue Code Section 501(c)(3) provides for the recognition of exemption of organizations that are organized and operated exclusively for charitable, educational, or other enumerated purposes as specified in the statute. No part of the net earnings may inure to the benefit of any private shareholder or individual.

Treasury Regulation Section 1.501(c)(3)-1(a)(1) provides that in order to qualify for exemption, an organization must be both organized and operated exclusively for one or more exempt purposes. If an organization fails to meet either of the above tests, the organization will not qualify for exemption.

Treas. Reg. Section 1.501(c)(3)-1(c)(1) states that an organization will be regarded as "operated exclusively" for one or more exempt purposes only if it engages primarily in activities which accomplish one or more of such exempt purposes specified in section 501(c)(3) of the Code. An organization will not be so regarded if more than an insubstantial part of its activities is not in furtherance of an exempt purpose.

Treas. Reg. Section 1.501(c)(3)-1(d)(1)(ii) provides that an organization is not organized or operated exclusively for one or more exempt purposes unless it serves a public rather than a private interest. It must not be operated for the benefit of designated individuals or the persons who created it.

Revenue Ruling 69-175, 1969-1 C.B. 149, describes an organization that was formed by parents of pupils attending a private school. The organization provided bus transportation to and from the school for those children whose parents belonged to the organization. The organization did not qualify for exemption under Section 501(c)(3) because it served a private rather than public interest.

Rev. Rul. 70-186, 1970-1 C.B. 128, held that a nonprofit organization formed to preserve and improve a lake used extensively as a public recreational facility qualified for exemption under Section 501(c)(3).

Rev. Rul. 75-286 1975-2 C.B. 210, held that a nonprofit organization with membership limited to the residents and business operators within a city block and formed to preserve and beautify the public areas in the block, thereby benefiting the community as a whole as well as enhancing the members' property rights, did not qualify

for exemption under Section 501(c)(3) because the organization was organized and operated for the benefit of private interests by enhancing the value of members' property.

Rev. Rul. 78-85, 1978-1 C.B. 150, held that a nonprofit organization with membership open to the general public that was formed by residents of a city to help preserve, beautify, and maintain a public park located in the city and whose support is derived from membership dues and contributions from the general public is operated exclusively for charitable purposes and qualifies for exemption under Section 501(c)(3).

Better Business Bureau of Washington D.C., Inc. v. United States, 326 U.S. 279 (1945), the Supreme Court held that the presence of a single non-exempt purpose, if substantial in nature, will destroy the exemption regardless of the number or importance of truly exempt purposes.

Columbia Park and Recreation Association, Inc., v Commissioner, 88 T.C. No. 1(1987) held an organization incorporated to develop and operate utilities, systems, services and facilities for the good of the people of Columbia, a private development, was not exempt under IRC Section 501(c)(3). The Tax Court held the organization 'lacked a sufficient public element because it was essentially an aggregation of homeowners and tenants bound together as part of a real estate plan. The organization relied on liens and assessments on property owned by members and people financing the operation had rights based on property ownership to receive benefits offered.

Application of law

Per Treas. Reg. Section 1.501(c)(3)-1(a)(1) you must be organized and operated exclusively for one or more exempt purposes. You do not meet the organizational test because your Articles of Incorporation do not contain a proper purpose or dissolution clause. You are not described in Section 501(c)(3) of the code because your you are not organized and operated exclusively for charitable purpose. Your activity of maintaining the common areas of D provides direct benefits to private individuals that are more than insubstantial in nature. For this reason, you are not operating exclusively for exempt purposes as described in Treas. Reg. Section 1.501(c)(3)-1(c)(1). As a result, you do not satisfy the operational test requirement to be recognized as exempt under IRC Section 501(c)(3) of the Code.

The group of parents in Rev. Rul. 69-175 provided a cooperative service for themselves and thus served their own private interests. Like that organization, you were formed to provide benefits to property owners in D. In your case, your activities consist of grass cutting, landscaping, parking lot lighting, and maintenance. Looking after common areas and providing a mechanism for property owners to cover common costs serves a private rather than a public interest. Treas. Reg. Section 1.501(c)(3)-1(d)(1)(ii) states that an organization is not operated exclusively for one or more exempt purposes unless it serves a public rather than a private interest.

You are dissimilar to the organizations described in Rev. Rul. 70-186 and 78-85 because you are not engaged in preserving or maintaining public property. Rather, you are similar to the organizations described in Rev. Rul. 75-286 and in Columbia Park and Recreation Association, Inc., v C.I.R. in that your activities serve private rather than public interests. Your activities are limited to collecting fees from D property owners based on square footage to cover the costs of maintaining the common areas. This serves the private interests of the property owners. As provided for in Better Business Bureau, this substantial non-exempt purpose precludes exemption under IRC Section 501(c)(3).

Conclusion

Based on the information submitted, you are not organized and operated exclusively for exempt purposes within the meaning of IRC Section 501(c)(3). Rather, you are organized and operated primarily to serve the property owners of D. Accordingly, you do not qualify for exemption under Section 501(c)(3).

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 they 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