

[REDACTED]

CERTIFIED MAIL

[REDACTED]

27 AUG 1986

Dear Sir or Madam:

We have considered your application for exemption from Federal income tax as an organization described in section 501(c)(12) of the Internal Revenue Code and the supporting information submitted.

The evidence submitted indicates that you were incorporated under the laws of [REDACTED] on [REDACTED]. Your purposes as stated in your Articles of Incorporation are the maintenance of private roads within the [REDACTED] located in [REDACTED], and the assessment and collection of fees for such maintenance.

Membership is open to any property owner within [REDACTED].

Your activities consist of collecting the member assessments and maintaining and improving the streets and roads of the subdivision.

Your income comes from membership dues, voluntary contributions, and in the future, some investment income.

Section 501(c)(12) of the Code provides for the exemption of benevolent life insurance associations of a purely local character, mutual ditch or irrigation companies, mutual or cooperative telephone companies or like organizations; but only if 85 percent or more of the income consists of amounts collected from members for the sole purpose of meeting losses and expenses.

Revenue Ruling 65-201, found in Cumulative Bulletin 1965-2, on page 170 discusses the term "like organization" and states, in part, "...it is clear that the term 'like organization' as used in the statute is limited by the types of organizations specified

Code	Initiator	Reviewer	Reviewer	Reviewer	Reviewer	Reviewer	Reviewer
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Surname							
Date	8/20/86	8/20/86	8/27/86				

in the statute, and is applicable only to those mutual or cooperative organizations which are engaged in activities similar in nature to the benevolent insurance or public utility type of service or business customarily conducted by the specified organizations." Further, the ruling states that the term "like organizations" is not applicable to a cooperative organization which operates and maintains a housing development and provides facilities and maintenance services on a cooperative basis for the personal benefit of its tenant-owner members.

While your organization does not operate a housing development, it does maintain streets and roads within a housing development, an activity normally conducted by a homeowners' association.

It appears, therefore, that you are not a "like organization" of the type contemplated in section 501(c)(12).

We also considered whether your organization could qualify under section 501(c)(4) of the Code as a social welfare organization.

Section 501(c)(4) of the Code provides for the recognition of exemption of 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 for the purpose of bringing about civic betterments and social improvements.

Revenue Ruling 72-102, 1972-1 C.B. 149, states that a non-profit organization formed to preserve the appearance of a housing development and to maintain streets, sidewalks and common areas for use of the residents is exempt under section 501(c)(4) of the Code. Membership is required of all owners of real property in the development and assessments are levied to support the organization's activities. It was held that by maintaining the property normally maintained by a municipal government, the organization served the common good and general welfare of the people of the community.

Revenue Ruling 74-99, 1974-1 C.B. 131, modified Revenue Ruling 72-102, supra, by stating guidelines under which a homeowners association could qualify for exemption under section 501(c)(4) of the Code. These guidelines are:

1. The organization must serve a "community" which bears a reasonable, recognizable relationship to an area identified as governmental;

2. It must not conduct activities directed to the exterior maintenance of private residences; and
3. The common areas or facilities must be for the use and enjoyment of the public.

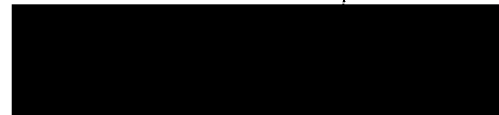
Based on the information submitted, it appears that you are not a "like organization" as described in section 59(c)(12). Further, since your roads are not accessible to the general public, you are not a social welfare organization as described in section 501(c)(4). Revenue Ruling 74-99 requires that all common areas be available for the use of the public.

Your attention is called to section 528 of the Code which provides certain procedures by which qualifying condominium management associations or residential real estate management associations may elect to receive tax benefits which, in effect, allow partial treatment as a tax-exempt organization. If you determine that you qualify under section 528, you may elect to file an annual tax return on Form 1120-E, instead of a corporate income tax return.

If you do not file the Form 1120-E, you are required to file Federal income tax returns on Form 1120. File returns for all years prior to the date of this letter with your Key District Director within 60 days from the date of this letter, unless a request for an extension of time is granted. File returns for later years with the appropriate service center indicated in the instructions for those returns.

If you do not accept our findings, we recommend that you request a conference with a member of our Regional Office of Appeals. Your request for a conference should include a written appeal giving the facts, law, and any other information to support your position as explained in the enclosed Publication 892. You will then be contacted to arrange a date for a conference. The conference may be held at the Regional Office or, if you request, at any mutually convenient District office. If we do not hear from you within 30 days of the date of this letter, this determination will become final and a copy of this letter will be sent to the appropriate state officials in accordance with section 6104(c) of the Internal Revenue Code.

Sincerely,



District Director

Enclosure: Publication 892

