



DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, DC 20224

TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

Number: **200540018**
Release Date: 10/7/05
UIL: 501.07-00, 501.07-05

Date: 5/31/05

Form Number: 990

Tax Periods Ended: Date2

Person to Contact:

Contact Telephone Number:

LEGEND:

A=Name of Org

Date1 = Effective Date

Date2= Tax Period Ended

NUMBER =EIN

Date3=Date of Exemption

Employee Identification Number:

EIN: NUMBER

Contact Address:

Internal Revenue Service

TEGE: E: EO: MR: FA

P.O. Box 13163, Room 1520

Baltimore, MD 21203

CERTIFIED MAIL

Dear _____ :

In a letter dated Date3, the Service recognized "A" as a tax-exempt entity under section 501(c)(7) of the Internal Revenue Code (IRC).

Section 501(c)(7) of the Internal Revenue Code exempts from Federal taxation, clubs organized and operated exclusively for pleasure, recreation and other non-profitable purposes. However, Revenue Ruling 75-494 provides that a homeowner's association may not qualify under IRC section 501(c)(7) if the association administers and enforces covenants for preserving the architectural and appearance of the housing development.

Further, Revenue Ruling 72-102 allows a homeowner's association to qualify for exemption under IRC section 501(c)(4). Yet, Revenue Ruling 74-99 disallows exemption if the common areas and

TP:

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EIN:

facilities that it owns are not allowed to be used and enjoyed by the general public.

Based upon the applicable law and facts, "A" no longer meets the requirements for recognition of exemption under IRC section 501(c)(7) or any other section of the Code. This is because the Association administers and enforces covenants for preserving the architectural integrity and appearance of the housing development, contrary to Revenue Ruling 75-494. In addition, the Association cannot qualify for exemption under section 501(c)(4) of the Code, because the housing development's common areas and facilities (more specifically, the pool and tennis courts) are open only to your members and not to the general public. Therefore, we are revoking recognition of your organization's exempt status under IRC section 501(c)(7), effective Date1. This is a final determination.

Since you have agreed to our determination by signing Form 6018-A on February 5, 2005, you do not need to take further action.

Since you will no longer be an exempt organization, you will be required to file Federal income tax returns on Form 1120-H, U.S. Income Tax Return for Homeowners Associations for all subsequent years. We have received your Form 1120-H return for the year ending Date2 and will forward it to the appropriate Internal Revenue Service Center for processing.

If you have any questions, please call or write the contact person whose name and telephone number are shown above. If you write, please include your telephone number, the best time to call you if we need more information, and a copy of this letter to help us identify your account.

Thank you for your cooperation.

Sincerely,

R. C. Johnson
Director, EO Examinations

cc: