



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

Box 2508  
Cincinnati, OH 45201

Date:  
January 4, 2022  
Employer ID number:

Form you must file:

Tax years:

Release Number: **202213011**  
Release Date: 4/1/2022  
UIL: 501.00-00, 501.07-00

Person to contact:  
Name:  
ID number:  
Telephone:  
 Check if 501(c)(3) denial  
 Check if valid POA

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)(7). 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](http://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,

Director, Exempt Organizations  
Rulings and Agreements

Enclosures:  
Letter 437  
Redacted Letter 4034  
Redacted Letter 4038  
 Hide blank fields.



• Department of the Treasury  
 Internal Revenue Service  
 P.O. Box 2508  
 Cincinnati, OH 45201

Date: October 26, 2021

Employer ID number:

Contact person/ID number:

Contact telephone number:

Contact fax number:

**Legend:**

C = State  
 D = Date  
 E = Number  
 F = Number  
 x dollars = Amount

**UIL:**

501.00-00  
 501.07-00

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

**Facts**

You were formed on D under the laws of the State of C as a domestic business corporation. Under the provisions of your Articles of Incorporation, you are formed for the purpose of engaging in any lawful act or activity for which a corporation may be formed under the Business Corporation Law of C. You are not formed to engage in any act or activity requiring the consent or approval of any state official, department, board, agency or other body without such consent or approval first being obtained. Further, you are formed to own, operate, manage, acquire and deal in property, real and personal, which may be necessary to the conduct of the business.

Your Articles of Incorporation also state that you are authorized to issue up to E shares of no-par value stock, while your bylaws provide that you have the authority to issue F shares of stock with an authorized value of x dollars.

Your primary activity is operating a trailer park with F sites on land you own which is opened seasonally. You stated there is no public use of the trailer park other than for members, their families and friends. Besides the mobile home sites, there are boat slips offered on a first come first serve basis, and a large field for storage of boats and utility trailers. Each of the F sites is represented by a share of your stock. Specifically, each share of your stock represents a legal interest in one of the F mobile home sites. No person can be a shareholder who

does not have title, either individually or with another, to a mobile home and situated on land with your legal address.

Per your bylaws, you provide maintenance that is limited to the common grounds of the trailer park to include water lines and systems and electrical lines and water shut-off valves positioned on each site post. You are also responsible for any common structures and equipment including the tractor, shed, pump house, docks, cribs, marina bulkhead, and waterfront patio. Each shareholder/site owner is responsible for any repair actions and all damages or loss to their own mobile home and fixtures on their site. Shareholders pay equal annual assessment fees which cover all permits, water and common electric service as well as dock and property insurance, landscaping, and maintenance costs.

Your bylaws also provide that at time of a mobile home sale, the mobile home must be sold by the seller at market value. Further, when disposing of their stock interest, shareholders are obligated to initially make the sale of their share in you to other shareholders and their family members. If there is no interest from these preferential parties, the share may be offered to the general public.

Concerning operation of the park, the following apply:

- When a shareholder is replacing their mobile home or making capital improvements, they must gain your approval to the footprint easements of the site and must comply with all governing rules and approvals of the town where you are located.
- Replacement activities should be conducted in the off season so as not to disrupt other shareholders sites and families during seasonal use.
- When a shareholder wishes to make additions and/or structure improvements, including decks, sheds, porches or modifications on their site, they must get the approval consent of two-thirds of the shareholders in writing. Specifically, plans for modification must be presented to the board and general membership for approval. Your board will have the responsibility to review all plans, drawings, etc. before approval may be given to ensure easement guidelines are met. It will be the shareholder's responsibility to present plans and obtain all required permits from the town where you are located, and to pay all expenses incurred.

You are managed by a Board of Directors, which consists of the President, Vice President, Secretary, Treasurer and Trustee. Each Board Member must also be a shareholder.

You are funded primarily by membership fees and assessments to members for taxes and utilities. Your operating expenses primarily include lawn care, maintenance, testing of water and insurance.

### **Law**

IRC Section 501(c)(7) provides exemption for clubs organized for pleasure, recreation, and other non-profitable purposes, substantially all of the activities of which are for such purposes and no part of the net earnings of which inures to the benefit of any private shareholder.

Revenue Ruling 55-716, 1955-2 C.B. 263, held that an organization formed for the purpose of furnishing television antenna service to its members is not entitled to exemption from federal income tax under Section 501(c)(7) of the Internal Revenue Code of 1954 as a club organized exclusively for pleasure, recreation, and other non-profitable purposes. The only activity of the instant organization is the operation and maintenance of a television antenna system providing television services to its members in their homes. Furthermore, fellowship

does not constitute a material part of the life of the organization, since the services do not afford an opportunity for personal contacts and commingling among members receiving such services.

Revenue Ruling 58-589, 1958-2 C.B. 266, sets forth the criteria for exemption under Section 501(c)(7) and provides that a club must have a membership of individuals, personal contacts, and fellowship. A commingling of members must play a material part in the activities of the organization.

Revenue Ruling 69-281, 1969-1 C.B. 155, held that a social club providing exclusive and automatic membership to homeowners in a housing development, with no part of its earnings inuring to the benefit of any member, may qualify for exemption under Section 501(c)(7). The club was incorporated by a housing developer as a nonprofit membership corporation for the purpose of establishing and operating social facilities, including a swimming pool, for the benefit of purchasers of homes in the development. Membership in the club is open only to homeowners in the development, which consists of several hundred family housing units.

Revenue Ruling 69-635, 1969-2 C.B. 126, held that an automobile club whose principal activity is rendering automobile services to its members but has no significant social activities does not qualify for exemption under IRC Section 501(c)(7).

#### **Application of law**

In order to qualify under IRC Section 501(c)(7), an organization must be organized for pleasure, recreation, and other non-profitable purposes, substantially all of the activities of which are for such purposes and no part of the net earnings of which inure to the benefit of any private shareholder.

You fail to meet the requirements under IRC Section 501(c)(7). You are not organized and do not operate for pleasure, recreation or other non-profitable purposes. Your primary purpose is to maintain ownership of a property where persons, who wish to purchase a single share of your stock, have the right to domicile their trailer on a designated site, for use as their seasonal residence. You maintain the property and impose rules on the members/site owners with respect to how they may use the property while they are in residence. You further impose requirements with respect to how a member may dispose of their common share. You conduct no recreational programs.

Further, a social club is generally denoted as having membership and personal contact, comingling, fellowship, and the sharing of interests and goals. Therefore, the commingling of the members must play a material part in the life of a tax-exempt social club, as described in Rev. Rul. 58-589 and Rev. Rul. 69-635. In your case, membership is automatic based on buying a share of stock. There is no evidence that you promote fellowship, comingling, or personal contact among members. None of the revenue generated from your members is dedicated for social, recreation or other non-profitable purposes.

You are similar to the organization described in Rev. Rul. 55-716. The services you provide to members do not provide the opportunity for personal contacts and fellowship among members which disqualifies you from exemption under IRC Section 501(c)(7).

You are not operated like the qualifying organization described in Rev. Rul. 69-281 where members in a housing development had an automatic right to the use of social facilities owned and operated in the development. You differ in that you do not sponsor social or recreational programs irrespective of whether members would choose to avail themselves of such an opportunity.

**Your position**

You stated that you are exempt as members of the general public can become shareholders by purchase of a common share and adherence to your bylaws.

**Our response to your position**

You failed to provide any information that shows you meet the qualifications for IRC Section 501(c)(7). As explained previously, qualification for exemption under Section 501(c)(7) is premised on the organization being organized and operated for social, recreation or other non-profitable purposes. You lack all three purposes. The fact that the general public may apply for membership is immaterial as to whether you are operating primarily for purposes described in Section 501(c)(7).

**Conclusion**

Based on the information provided, we conclude that you are not organized or operated for pleasure, recreation, or other non-profitable purposes because there is no commingling of members. You primarily provide services for the convenience of members who reside in the trailer park you operate. Accordingly, you do not qualify for recognition of exemption under IRC Section 501(c)(7).

**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 Decision 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  
P.O. 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](http://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](http://www.taxpayeradvocate.irs.gov) or call 877-777-4778.

Sincerely,

Stephen A. Martin  
Director, Exempt Organizations  
Rulings and Agreements