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[redacted]

[redacted]

[redacted]

AUG 10 1981

Dear Applicant:

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.

The evidence presented discloses that you were formed on [redacted]. You then incorporated on [redacted] under the laws of the State of [redacted]. Your primary purposes are to deal with condominium electric appliance problems, to [redacted] repairs and inspection to all electrical appliances and air conditioning.

Your activities consist of rendering maintenance, repairs and inspection to all electrical appliances and air conditioning for members. Membership is available to any person owning or residing in a condominium or villas located within the development known as [redacted]. The organization is operated on a cooperative nonprofit basis for the mutual benefit of its patrons, and is obligated to account to all its patrons for all amounts received and receivable from the furnishing of services in excess of operating costs and expenses.

Your income is from dues and assessments and interest. Expenditures are for maintenance and repairs of electrical appliances and other general operating costs. No salaries are paid.

Section 501(c)(12) of the Code describes certain organizations exempt from Federal income tax under section 501(a) of the Code and reads as follows:

> (12) 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.

The issue in the instant case is whether the cooperative organization described above, is a "like organization" within the meaning of section 501(c)(12) of the Code.

[redacted]

In New Jersey Automobile Club v United States, 101 Fed. Supp. 239 (1960), certiorari denied, 366 U. S. 924 (1960), it was held that an automobile club was not exempt from Federal income tax under section 101(10) of the Internal Revenue Code of 1939 which corresponds to section 501(c)(12) of the 1954 Code. The court stated that it felt Congress intended to exempt organizations which were like "benevolent life insurance associations of a purely local character," or like "mutual ditch or irrigation companies," or like "mutual or cooperative telephone companies," and not merely organizations which were like the [illegible] of these three relative non-comparables. In the case of Consumers Credit Rural Electric Cooperative Corporation v Commissioner, 37 T.C. 136 (1961), affirmed by the United States Court of Appeals for the Sixth Circuit on July 2, 1962, it was held that an organization formed by exempt rural electric cooperatives to finance purchases of electrical, water, or plumbing appliances or systems by customers of the cooperatives, was not exempt as a "like organization" under section 501(c)(12) of the Code. The fact that the member cooperatives qualified under the statute did not automatically confer tax exemption upon related organizations.

Revenue Ruling 55-311, C.B. 1955-1,72, held that an organization which provided bus service for its members was not a "like organization" under section 501(c)(12) of the Code.

Revenue Ruling 65-202, C.B. 1965-2, 170, held that an organization which sold electrical equipment to its members and performed incidental installation and repair services in connection with these sales was not a "like organization" under section 501(c)(12) of the Code.

In view of the above decisions, it is clear that the term "like organizations" as used in the statute is limited by the types of organizations specified 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.

Based on the information submitted, your activities may be mutually desirable, but such services and activities are not similar in nature to those customarily performed by a mutual ditch or irrigation company, or a mutual or cooperative telephone company. Therefore, you do not qualify for exemption from Federal income tax under section 501(c)(12) of the Internal Revenue Code of 1954, or any related subsection of the Code.

You are required to file Federal income tax returns on Form 1120 with your Key District Director for exempt organization matters. Based on review of the financial information you furnished, it appears that the

[redacted]

returns for years ended March 31, 1960 and 1967 should be filed. These returns should be filed within 30 days from the date of this letter unless a request for an extension of time is granted.

If you do not agree with our proposed determination, we recommend that you request a conference with a member of the Regional Director of Appeals Staff. Your request for a conference should include a written appeal signed by an authorized officer giving the facts, law, and any other pertinent information to support your position as explained in the enclosed Publication 892. If you are to be represented by someone who is not one of your authorized officers, he/she will need to file a power of attorney or tax information authorization and be qualified to practice before the Internal Revenue Service as provided in Treasury Reports at Circular No. 230. The conference may be held at the Regional Office or, if you request, at any mutually convenient District Office.

If we have not received an appeal within 30 days, this will become our final determination letter.

Sincerely,

[redacted]
District Director

Enclosure:
Publication 892