

Internal Revenue Service

Department of the Treasury

District
Director

P.O. Box 2508
Cincinnati, OH 45201

Person to Contact:

Telephone Number:

Refer Reply to:

EP:EO

Date:

MAY 24 1984

Dear Sir or Madam:

We have reviewed your application for exemption from Federal income tax under the provisions of section 501(c)(4) of the Internal Revenue Code of 1954.

The evidence presented discloses that you were incorporated on [REDACTED], under the laws of the State of [REDACTED]. The second article of the Articles of Incorporation indicates that your purposes are as follows:

- (A) To manage and administer the affairs of and to maintain [REDACTED] a condominium, (hereinafter called the "Condominium");
- (B) To levy and collect assessments against and from the members of the corporation and to use the proceeds thereof for the purposes of the corporation;
- (C) To carry insurance and to collect and allocate the proceeds thereof;
- (D) To rebuild improvements after casualty;
- (E) To contract for and employ persons, firms, or corporations to assist in the management, operation, maintenance and administration of said Condominium;
- (F) To make and enforce reasonable regulations concerning the use and enjoyment of said Condominium;
- (G) To own, maintain, and improve, and to buy, sell, convey, assign, mortgage, or lease (as Landlord or Tenant) any real and personal property, including, but not limited to, any apartment in the Condominium or any other real property whether or not contiguous to the Condominium; for the purpose of providing benefit to the members of the corporation and in furtherance of any of the purposes of the corporation;

- [REDACTED]
- (H) To borrow money and issue evidences of indebtedness in furtherance of any or all of the objects of its business; to secure the same by mortgage, pledge or other lien;
 - (I) To enforce the provisions of the Master Deed and Bylaws of the condominium and of these Articles of Incorporation and such Bylaws and Rules and Regulations of this Corporation as may hereafter be adopted;
 - (J) To do anything required of or permit to it as Administrator of said Condominium by the Condominium Master Deed or Bylaws or by Act No. [REDACTED] of Public Acts of [REDACTED], as from time to time amended;
 - (K) In general, to enter into any kind of activity; to make and perform any contract and to exercise all powers necessary, incidental or convenient to the administration, management, maintenance, repair, replacement and operation of said Condominium and to the accomplishment of any of the purposes thereof;

Membership in the corporation is composed of all owners of condominium units in the [REDACTED] complex located in [REDACTED].

The Association's income is derived from membership fees. The responsibilities of the Association are for the maintenance and insurance for the common areas of the building.

Section 501(c)(4) on the Code provides in part, that "civic leagues or organization's not organized for profit but operated exclusively for promotion of social welfare" qualify for recognition of exemption.

Section 1.501(c)(4)-1(a)(2)(i) of the Income Tax Regulations provides in part, 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 primarily for the purpose of bringing about civic betterments and social improvements....

Rev. Rul. 74-17, 1974 C.B. 130, states in part:

...an organization formed by the unit owners of a condominium housing project to provide for the management, maintenance and care of the common areas of the project, as defined by State statute, with membership assessments paid by the unit owners does not qualify for exemption under section 501(c)(4) of the Code....

As your organization is a condominium association described in Rev. Rul. 74-17, we hereby propose to deny your application for recognition of exemption under section 501(c)(4) of the Code.

Consideration was given to obtaining exemption under other subsections of 501(c) of the Internal Revenue Code and your organization does not qualify under any other subsection.

As your organization has not established exemption from Federal income tax, it will be necessary for you to file an annual income tax return on Form 1120.

However, it is our opinion that your organization is the type described in section 528 and you may elect to file under section 528 to receive certain tax benefits which, in effect, permits the exclusion of exempt function income. The election by a homeowners association to file under section 528 is to be made by filing Form 1120-H, U.S. Income Tax Return for Homeowners Associations.

If you agree with our proposed denial, please sign and return one copy of the enclosed Form 6018, Consent to Proposed Adverse Action.

You have the right to protest this proposed determination if you believe that it is incorrect. To protest, you should submit a written appeal giving the facts, law, and any other information to support your position as explained in the enclosed Publication 892 (Rev. 7-83), "Exempt Organization Appeal Procedures for Unagreed Issue." The appeal must be submitted within 30 days from the date of this letter and must be signed by one of your principal officers. You may request a hearing with a member of the office of the Regional Director of Appeals when you file your appeal. If a hearing is requested, you will be contacted to arrange a date for it. The hearing may be held at the Regional Office, or, if you request, at any mutually convenient District Office. If you are to be represented by someone who is not one of your principal officers, he must file a proper power of attorney and otherwise qualify under our Conference and Practice Requirements as set forth in section 601.502 of the Statement of Procedural Rules. See Treasury Department Circular No. 230.

If we do not hear from you within the time specified, we shall process this determination on the basis of our proposal.

This is a proposed denial letter.

Sincerely yours,

District Director

Enclosures