

INTERNAL REVENUE SERVICE

DEPARTMENT OF THE TREASURY

10 MetroTech Center

625 Fulton Street

Brooklyn, NY 11201

Number: **200531026**

Release Date: 8/05/2005

TE:GE:EO

UIL: 501.07-00

Date: February 14, 2005

Legend:

X = Organization

D = Date of Revocation

P = Audit Period

Person to Contact:

Identification Number:

Contact Telephone Number:

In Reply Refer to: TE/GE Review Staff

EIN:

Dear \_\_\_\_\_ :

This is a Final Adverse Determination as to your exempt status under section 501(c)(7) of the Internal Revenue Code.

Our adverse determination was made for the following reasons:

“X” fails to meet the requirement for exemption under 501(c)(7). IRC 501(c)(7), as changed by the Tax Reform Act of 1969 provides for the exemption of clubs organized and operated 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.

As a result of a recent examination of your organization’s activities and Form 990 for the period ended “P”, it was determined that the organization administers and enforces homeowner’s restrictions for preserving the architecture and appearance of the housing development. Your organization has the authority of a homeowner’s association with the right to design the streets, as well as limit the height, size and exterior appearance of the residences. Revenue Ruling 75-494, 1975-2 CB 214, holds that a club that administers and enforces covenants for the preservation of the architecture and appearance of the housing development is not operated exclusively for pleasure, recreation and other non-profitable purposes as required by section 501(c)(7) of the Code.

Based on the above, we are revoking your organization's exemption from Federal Income Tax under section 501(c)(7) of the Internal Revenue Code effective “D”.

You are required to file Federal Income Tax returns on Form 1120-H. These returns should be filed with the appropriate Service Center for all years beginning after “P”. You have executed the Form 6018 agreeing to this revocation.

You are required to file Form 1120-H, U.S. Income Tax Return for Homeowner Associations. If the association does not elect to use Form 1120-H, it must file the applicable income tax return (Form 1120, etc.). Form 1120-H must be filed by the 15<sup>th</sup> day of the third month after the end of your annual accounting period. A penalty of \$20 a day is charged when a return is filed late, unless there is reasonable cause for the delay. However, the maximum penalty charged cannot exceed \$10,000 or 5 percent of your gross receipts for the year, whichever is less. This penalty may also be charged if a return is not complete, so please be sure your return is complete before you file it.

You have the right to contact the office of the Taxpayer Advocate. However, you should first contact the person whose name and telephone number are shown above since this person can access you tax information and can help you get answers. You can call 1-877-777-4778 and ask for Taxpayer Advocate assistance. Or you can contact the Taxpayer Advocate from the site where the tax deficiency was determined by calling or writing to: Internal Revenue Service, Office of the Taxpayer Advocate.

Taxpayer Advocate assistance cannot be used as a substitute for established IRS procedures, formal appeals processes, etc. The Taxpayer Advocate is not able to reverse legal or technically correct tax determinations, nor extend the time fixed by law that you have to file a petition in the United States Tax Court. The Taxpayer Advocate can however, see that a tax matter that may not have been resolved through normal channels, gets prompt and proper handling.

If you have any questions, please contact the person whose name and telephone number are shown in the heading of this letter.

Sincerely yours,

R. C. Johnson  
Director, EO Examinations