

### Is the IRS Coming After Your Association

By: Gary Porter, CPA

The IRS (notice how that spells the word “theirs”) has recently developed a new program to extract money from corporate taxpayers, which happens to include homeowners associations. This is an extension of the “Form 1099 Matching Program” successfully applied to individual taxpayers more than a decade ago. But now, corporations are the target. Not just YOUR association, but all corporations. It only feels like it’s your association, because you’re the one that received the notice from IRS. This is not really an IRS audit, but it does require your response.

Two CPA firms that practice in the community association arena have reported receiving multiple notices.

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### More Tax News Coming

You’re probably all aware of the recent allegations against the IRS regarding tax exempt organizations, specifically those applying for exemption under Code Section 501(c)(4). While all their attention was focused on “conservative” organizations, that happens to be the same Code Section under which associations apply for exemption, as “Social Welfare organizations.”

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**HOA Pulse has more full text cases than any other site  
in the industry. New cases this week include:**

[Bear Creek Planning Committee v. Ferwerda—California](#)

[Estates at Desert Ridge Trails v. Vazquez—New Mexico](#)

[Lyons v. Coventry Manor Home Owners, Inc.—New York](#)

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### Is the IRS Coming After Your Association?

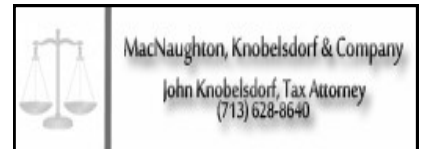
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Why is IRS doing this? Efficiency – the same reason that a business would use. The underlying concept is that rather than using expensive IRS Agents to verify income, the computer can do the work instead. Every time a bank issues a Form 1099 to report interest income, or a lessee issues a Form 1099 to report either rents paid or laundry room proceeds from your third-party concessionaire, that information is received (usually electronically) by the IRS. That allows them to cross check the recipient’s (YOUR Association) tax return to make sure that the income was fully reported and that the IRS has received all the tax it was due.

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### More Tax News Coming

The IRS was literally using what might be referred to as Gestapo tactics in dealing with certain applications. But, their actions, and the subsequent public disclosures have created issues for associations seeking exemptions. This is a very important issue to associations. How important? CPA Gary Porter reports that estimated cumulative tax savings to the more than 80 associations he has taken tax exempt are estimated at more than \$17,000,000. This is a big deal.

Tax attorney John Knobelsdorf and CPA Gary Porter have agreed to write articles on these important new developments, which will appear in future issues of this newsletter. These two practitioners are believed to process more tax exemption applications for associations than anyone else in the country, and have agreed to share their insights on recent developments within IRS.



## Articles on the Web

Article Title	Article Summary	State
<a href="#">Hillsborough commissioners deny new cemetery in Carrollwood Village</a>	A Florida HOA has won a request to deny rezoning an area by a church, that was designed for a 3-acre cemetery.	Florida
<a href="#">Putting clothes out to dry? Hang on, some homeowners association say</a>	A number of homeowners associations in the State of Washington ban residents from hanging clothes on an outdoor clothesline to dry.	Washington
<a href="#">Brandermill gardener wins battle with HOA</a>	A homeowner and gardener has been successful in his battle to keep his front yard garden. The Association has compromised and allowed him to keep part of it but some must be removed before the end of the year.	Virginia
<a href="#">Bee hives unwelcome in complex</a>	A homeowners association has allowed bees to be kept in their community as a way to help preserve honeybees. Residents are angry because they feel it is dangerous to their senior citizens to allow the bee hives in their community.	California
<a href="#">Fallen bricks, safety hazards in condo complex</a>	Residents of a Palm Desert condominium complex are angry that their association is not repairing or maintaining the property. The greatest concern for one resident is that bricks are falling off the exterior and could be a hazard for someone on the ground.	California
<a href="#">House Lawyer: In seeking storm relief, condos and co-ops find not all homeowners are equal</a>	Owners of condominiums and co-ops who had property damaged by Hurricane Sandy, have found that they are not eligible for financial grants from FEMA. They are only eligible for loans. Several lawmakers are looking to correct the situation.	Washington
<a href="#">Broward sues condo over alleged discrimination against woman, 90, and her service dog</a>	A woman and her daughter have filed a lawsuit against their former HOA for harassment over a service dog. A 90 year old blind woman uses a service dog and the residents of the HOA yelled at the dog and its owner causing the dog to fear people.	Florida
<a href="#">Appeals court issues split decision on dispute between 4 associations and Goat Island developer</a>	A 20 year old legal dispute continues to travel between state and federal courts. It all originated when the builder began an event business in the 1990s.	Rhode Island
<a href="#">Homeowner Association president's defamation suit gets fall trial date</a>	A local HOA president and a resident will be heading to court at the end of the year on a \$10 million defamation lawsuit.	Texas
<a href="#">Neighbors find common ground</a>	A group of residents are concerned about a plan by a local school district to rebuild the street around a school. Residents are concerned about traffic congestion during the project.	Iowa
<a href="#">Relevance of Home-Owners Association for community living</a>	This article explains the purpose of a homeowners association, the benefits and the value of this community leadership.	National
<a href="#">Woman in embezzlement case agrees to pretrial intervention</a>	A woman accused of embezzlement is avoiding trial by agreeing to a pretrial intervention agreement with the state. Her charges will be reduced from second-degree felony to third-degree felony.	Florida
<a href="#">HOA collections impacted by new law</a>	A bill has been approved that discusses the the collection of delinquent assessments by the homeowners association.	Nevada
<a href="#">Stagnant Lake Lindero causes fish to die</a>	A man-made lake in California experienced a fish kill recently when oxygen levels in the water decreased causing over 200 fish to die. Homeowners were relieved when the management company cleaned up the stinky mess.	California
<a href="#">Edgehill condo still 'a mess' resident says</a>	Residents are still waiting for repairs to their condominiums a year after a building inspector cited their association for violating the county's building code.	Virginia