

WHAT'S TAXABLE 2019



NEWMAN
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Revenue: What's Taxable?

- Member
 - Owns a unit in the association
- Non-member
 - Does not own a home in the association
 - External revenue source, e.g. cell tower lease, bank

Revenue: What's Taxable?

- Federal tax forms for most associations
 - 1120-H
 - Section 528
 - >85+% of associations nationwide
 - Exempt vs Non-Exempt
 - 1120
 - Section 277
 - 10+% of associations
 - Corporation return
 - Member vs Non-Member

Revenue: What's Taxable?

- Revenue not typically taxed
 - Assessments
 - Delinquency interest, late fees, fines, penalties
 - Transfer and move in/out fees (charged to members)

Revenue: What's Taxable?

- Non-exempt income (1120-H) & Membership income (1120)
 - Filing form 1120-H
 - Non-exempt income results from three sources:
 - Revenue from non-association property (commercial operations and interest income)
 - Revenue from non-members for use of association property (guest fees and other amounts from non-members)
 - Amounts charged to association members for specific services (special use charges not assessed ratably to all members)
 - Fees charged to members excluded from the list above
 - Income examples: Laundry facilities, vending, room rental, rec rental, golf, restaurants – from members/owners

Revenue: What's Taxable?

- Non-exempt income (1120-H) & Membership income (1120) (cont'd)
 - Expenses?
 - Reduce taxable income by expenses
 - Direct/specific
 - Allocation
 - Accounting
 - Audit fees
 - Tax preparation fees
 - Insurance
 - Management
 - Utilities
 - Repairs and maintenance
 - Security
 - Janitorial
 - Housekeeping

Revenue: What's Taxable?

- Non-Exempt (1120-H) & Non-Membership (1120)
 - Income derived from non-owners/non-members
 - Taxable
 - Income examples: Laundry facilities, vending, room rental, rec rental, golf, restaurants – from non-members/owners
 - Expenses?
 - Reduce taxable income by expenses
 - Direct/specific and allocated

Revenue: What's Taxable?

- Electric vehicle charging stations
 - Follow the same guidance as non-exempt for 1120-H filers and membership income for 1120 filers
- RV storage
 - Follow the same guidance as non-exempt for 1120-H filers and membership income for 1120 filers
 - Treated as exempt for 1120-H if charged annually

Revenue: What's Taxable?

- RR 70-604
 - Utilize when filing 1120
 - Annual resolution
 - Must be approved by members
 - Return excess income to owners
 - Carry forward excess income to the next year
 - Cannot carry forward more than one year
 - Watch accumulation of annual excess income (should not file form 1120)