

CENTRAL OREGON REGIONAL CHAPTER NEWSLETTER

Community Associations Institute



TAX FORMS 1120 VS 1120-H

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A Brief Overview of Form 1120 vs 1120-H

In 1976, the U.S. Treasury introduced tax form 1120-H. The first federal tax form designed specifically for common interest realty associations.

Prior to the 1976 Tax Reform Act, associations were required to file corporation form 1120. From 1976, homeowners and condominium associations have been able to choose to file form 1120 or 1120-H. Filing form 1120 comes with some potential tax risk. To avoid paying tax on excess member income, associations filing form 1120 are required to obtain member approval of Revenue Ruling 70-604, and to comply with some complex excess operating income rules.

ARTICLES

Tax Form Form 1120 vs
1120-H

Message from the
Chapter President

Lawn care Techniques
for a Thriving Yard

Business Spotlight

Typically, the options provided to owners under Revenue Ruling 70-604 are to refund excess operating income to owners, or to carry forward any excess operating income to the next fiscal year. Problems arise when associations try to carry forward cumulative excess funds for more than one year while still filing form 1120. Filing form 1120 for associations requires tax planning. Unfortunately, for most associations, tax planning is not something that occurs in a timely or regular fashion. Lack of preparation and blindly filing form 1120 can result in significant tax implications. The Internal Revenue Service, when determining association returns for audit, based on historical evidence, is likely to audit form 1120 over 90% of the time compared to forms 1120-H.

According to research, approximately 85% of associations nationwide file federal form 1120-H. Form 1120-H carries a higher tax rate (30%) compared to the form 1120 rate of 21%. However, form 1120-H excludes membership dues, fees and assessments from gross income. Revenue Ruling 70-604 is not required when filing form 1120-H and typically the form 1120 excess operating income issue is not a concern for form 1120-H filers.

MESSAGE FROM CORC CAI PRESIDENT

Elle Larkin



It is officially the start of Spring and I am looking forward to brighter days ahead! It has certainly been an unprecedented last 12 months and I am looking forward to what 2021 has in store for the CORC CAI chapter! We have had a successful start to the year, beginning with our annual 'Ask an HOA Attorney' event in January and 'Handling Common HOA Nuisances' in March. While we will continue to hold our events virtually for now, including our upcoming scheduled event in May, 'The Good and The Bad of HOA Short Term Rentals,' we hope to return to in person events this Summer. I look forward to when we can gather again and connect with our members! Until then, stay well and enjoy the sunny Spring days!



Next Event May 11th -
The Good and The Bad of HOA Short
Term Rentals
Register at caicentraloregon.org



LAWNCARE TECHNIQUES FOR A THRIVING YARD

Springtime Landscape & Irrigation, Inc

The secret to keeping your yard thriving throughout the summer lies in the lawn care techniques you implement during the spring. By getting started early in the year, you will develop a resilient lawn that is resistant to the effects of the sun, weeds, pests, and heavy foot traffic. Follow these simple steps to prepare your yard to grow nice and green for the summer.

1. Do a soil test to check the acidity before you put down new seed or nutrients. If you have acidic soil, lime is a great nutrient to add because it will encourage growth of existing and new grass seed. You can also supplement the health of existing grass with a slow-release fertilizer; you'll want to help it absorb, so the best time to spread lawn fertilizers is right before (or during!) a good rainstorm.
2. Lawn aerating and dethatching is also a good springtime chore; if your soil is compacted, an aerating will help aid growth of grass and help it thrive all summer. Do it again in the fall for best results.
3. Insect control can be managed all spring and summer, but familiarize yourself with the products available, especially products that effectively prevent a multitude of pests (ants, grubs, ticks, fleas, spiders) and have them available at home so that you can be ready to act when pests pop up.
4. Snip the dead or damaged tree branches, grass and shrubs. You can do this with a clipper or a small handsaw. Simply trim off the damaged or dead parts of your plants to allow sunlight to reach the healthier parts.
5. Clear around your plants or shrubs. Get rid of the leaves or dead foliage surrounding your plants, trees and shrubs. If you decide to plant some bulbs at this time, go ahead and put down fertilizer too.
6. Prepare any damaged areas for planting. All the snow we have gotten over the winter could have damaged certain areas of your yard, meaning the grass will not completely grow back until late April.
7. Clean up the hardscape areas. Your driveway or walkway is likely pretty dirty if you have had to use salt for help with melting the snow. Cleaning these up is as easy as a good sweep to get rid of the salt and other debris.



BUSINESS PARTNER SPOTLIGHT

Springtime Landscape & Irrigation, Inc

How you can help our CAI members?

Springtime can help CAI members by educating its members on the best practices in landscape maintenance procedures and processes.

Share your thoughts on how your company is differentiated from others? What's your elevator pitch?

With over 200 years of combined experience Springtime is the premier Landscape company for all four seasons!

Make it fun- What's a fun fact about Springtime?

We have a robust employee reward program that includes what we call "Billy Bucks" for work above and beyond that employees can turn in for gift cards and fun items to purchase. We also love having pizza parties and team building events to recognizing our employees for a job well done with great team work.



EDUCATION FOR MANAGERS

- March 25-26, 2021 - [M-100: The Essentials of Community Association Management \(Live Virtual Class\)](#)
- April 8-9, 2021 - [M-350: Manager and the Law - \(Live Virtual Class\)](#)
- April 15-16, 2021 - [M-201: Facilities Management - \(Live Virtual Class\)](#)
- April 22-23, 2021 - [M-202 Association Communications - \(Live Virtual Class\)](#)



Central Oregon Regional Chapter of Community Associations Institute

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