Form **1120-H**
Department of the Treasury
Internal Revenue Service

U.S. Income Tax Return for Homeowners Associations
(Under Section 528 of the Internal Revenue Code)

1980

For calendar year 1980 or other tax year beginning , 1980 and ending , 19 .

Use IRS label. Otherwise please print or type.	Name	Employer identification number (see instruction O)
	Number and street	Date association formed
	City or town, State and ZIP code	Were the required Forms 1087, 1096, and 1099 filed? . . . . ☐ Yes ☐ No

Important.—Fill in all applicable lines and schedules.

A. Total amount received that qualifies as exempt function income for purposes of meeting the 60% gross income test (see General Instruction B and Specific Instructions for Item A)	A	
B. Total expenditures made for purposes of meeting the 90% expenditure test (see General Instruction B and Specific Instructions for Item B)	B	
C. Total amount of all expenditures made by the homeowners association for the tax year (see Specific Instructions for Item C)	C	

Gross Income (excluding exempt function income)

1 Dividends (attach schedule)	1	
2 Interest on obligations of the United States and U.S. instrumentalities	2	
3 Other interest	3	
4 Gross rents	4	
5 Gross royalties	5	
6 (a) Capital gain net income from Schedule D, line 9	6(a)	
(b) Net gain or (loss) from Form 4797, line 11(a), Part II (attach Form 4797)	6(b)	
7 Other income (excluding exempt function income) (attach schedule)	7	
8 Gross income (excluding exempt function income) (add lines 1 through 7)	8	

Deductions (directly connected to the production of gross income, excluding exempt function income)

9 (a) Salaries and wages ..... 9(b) Less WIN credit from Form 4874, line 12 ..... Balance ▶	9(c)	
10 Repairs	10	
11 Rents	11	
12 Taxes	12	
13 Interest	13	
14 Depreciation from Form 4562 (attach Form 4562) ....., less depreciation claimed elsewhere on the return ..... Balance ▶	14	
15 Other deductions (attach schedule)	15	
16 Total deductions (add lines 9 through 15)	16	
17 Taxable income before specific deduction of $100 (subtract line 16 from line 8)	17	
18 Less specific deduction of $100	18	
19 **Taxable income** (subtract line 18 from line 17)	19	

Tax

20 Total tax (from Schedule A, line 6)		20	
21 Credits: (a) Tax deposited with Form 7004			
(b) Tax deposited with Form 7005 (attach copy)			
(c) Credit from regulated investment companies (attach Form 2439)			
(d) Federal tax on special fuels and oils (attach Form 4136)		21	
22 **Tax due** (subtract line 21 from line 20). See instruction I for depositary method of payment		22	
23 **Overpayment** (subtract line 20 from line 21)		23	

Please Sign Here

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

▶ Signature of officer Date ▶ Title

Paid Preparer's Use Only

Preparer's signature and date ▶ Check if self-employed ▶ ☐ Preparer's social security no.

Firm's name (or yours, if self-employed) and address ▶ E.I. No. ▶ ZIP code ▶

Schedule A.—Tax Computation Schedule

1 Taxable income (line 19, page 1)	1	
2 46% of line 1	2	
3 Income tax (line 2 or alternative tax from Schedule D, line 15 below, whichever is less)	3	
4 (a) Work incentive (WIN) credit (attach Form 4874)		
(b) Foreign tax credit (attach Form 1118)		
5 Total—Add lines 4(a) and (b)	5	
6 Total tax—Subtract line 5 from line 3. Enter here and on line 20, page 1	6	

Schedule D.—Capital Gains and Losses (See Instructions for Schedule D)

Part I Short-term Capital Gains and Losses—Assets Held One Year or Less

a. Kind of property and description (Example, 100 shares of "Z" Co.)	b. Date acquired (mo., day, yr.)	c. Date sold (mo., day, yr.)	d. Gross sales price less expense of sale	e. Cost or other basis	f. Gain or (loss) (d less e)
1					

2 Unused capital loss carryover (attach computation)	2	
3 Net short-term capital gain or (loss)	3	

Part II Long-term Capital Gains and Losses—Assets Held More Than One Year

4 Enter section 1231 gain from Form 4797, line 5(a)(1)	4	

5					

6 Net long-term capital gain or (loss)	6	

Part III Summary of Schedule D Gains and Losses

7 Enter excess of net short-term capital gain (line 3) over net long-term capital loss (line 6)	7	
8 Net capital gain. Enter excess of net long-term capital gain (line 6) over net short-term capital loss (line 3)	8	
9 Total of lines 7 and 8. Enter here and on line 6(a), page 1	9	

Note: *If there is no entry on line 9, see instructions on capital losses for explanation of capital loss carrybacks.*

Part IV Alternative Tax Computation

10 Taxable income (line 19, page 1)	10	
11 Net capital gain from line 8	11	
12 Subtract line 11 from line 10	12	
13 46% of line 12	13	
14 28% of line 11	14	
15 Alternative tax (total of lines 13 and 14). If applicable, enter here and on Schedule A, line 3	15	

Schedule K.—Record of Federal Tax Deposit Forms 503

(List Deposits in Order of Date Made—See Instruction I)

Date of deposit	Amount	Date of deposit	Amount	Date of deposit	Amount	Date of deposit	Amount

Schedule L.—Balance Sheets

	Beginning of Tax Year (A)	Beginning of Tax Year (B)	End of Tax Year (C)	End of Tax Year (D)
Assets				
1 Cash: (a) Savings and interest-bearing accounts				
(b) Other				
2 Accounts receivable net				
3 Notes receivable net (attach schedule)				
4 Inventories				
5 Government obligations: (a) U.S. and instrumentalities				
(b) State, subdivisions thereof, etc.				
6 Investments in nongovernment bonds, etc. (attach schedule)				
7 Investments in corporate stocks (attach schedule)				
8 Loans:				
(a) Mortgage loans (number of loans ►_____)				
(b) Other loans (attach schedule)				
9 Other investments (attach schedule)				
10 Depreciable (depletable) assets (attach schedule)				
(a) Less accumulated depreciation				
11 Land				
12 Other assets (attach schedule)				
13 Total assets				
Liabilities				
14 Accounts payable				
15 Mortgages and notes payable (attach schedule)				
16 Other liabilities (attach schedule)				
17 Total liabilities				
Net Worth (Fund Balances)				
18 Capital stock or principal fund				
19 Paid-in or capital surplus				
20 Retained earnings or income fund				
21 Total Net Worth (Fund Balances) (add lines 18, 19, and 20)				
22 Total liabilities and Net Worth (line 17 plus line 21)				

Schedule M.—Analysis of Changes in Net Worth

1 Enter total net worth at beginning of year—(from Schedule L, line 21, column (B))	1	
2 Enter amount from line 17, page 1	2	
3 Nontaxable income (including exempt function income)	3	
4 Other increases not included above (itemize) ►	4	
5 Total (add lines 1 through 4)	5	
6 Expenses attributable to nontaxable income (including exempt function income)	6	
7 Other decreases not included above (itemize) ►	7	
8 Total of lines 6 and 7	8	
9 Total net worth at end of year (subtract line 8 from line 5)—This equals Schedule L, line 21, column (D)	9	

General Instructions

(References are to the Internal Revenue Code.)

> A homeowners association that is a corporation may want to file Form 1120, U.S. Corporation Income Tax Return (using the instructions for Form 1120), because the tax may be less on that form in comparison to the tax figured on Form 1120–H.

A. Who May Elect to File Form 1120–H.—

A homeowners association (as defined in Instruction B) may elect to file under section 528 to receive certain tax benefits which, in effect, permit the exclusion of exempt function income (defined in Specific Instructions) from gross income. The election by a homeowners association to file under section 528 is to be made by filing Form 1120–H. A separate election must be made for each tax year. The election is binding for the tax year and may not be revoked without the consent of the Commissioner.

If the association is a qualified tax-exempt organization under section 501, it should not file this form, but should follow the provisions of section 6033 and related sections. (See Regulation section 1.528–8(e), if its exempt status is revoked.)

If the homeowners association doesn't elect to file under section 528, or is not a qualified tax-exempt organization, the association should file the applicable income tax return (Form 1120, etc.).

B. Homeowners Association Defined.—

A homeowners association (as defined in section 528(c) and Regulation section 1.528–1) means an association which is:

1. A condominium management association organized and operated to provide for the acquisition, construction, management, maintenance, and care of association property with respect to a condominium project substantially all of the units of which are used by individuals for residences; or

2. A residential real estate management association organized and operated to provide for the acquisition, construction, management, maintenance, and care of association property with respect to a subdivision, development, or similar area substantially all the lots or buildings of which may only be used by individuals for residences.

See Regulation section 1.528–4 for "substantially all" test.

Furthermore:

- 60 percent or more of the gross income of the association for the tax year must consist of amounts that qualify as exempt function income (see Specific Instructions);
- 90 percent or more of the expenditures of the association for the tax year must be expenditures for the acquisition, construction, management, maintenance, and care of association property (see Specific Instructions);
- No part of the net earnings of the association can inure (other than by acquiring, constructing, or providing management, maintenance, and care of association property, and other than by a rebate of excess membership dues, fees, or assessments) to the benefit of any private shareholder or individual; and
- The association must elect to have section 528 apply for the tax year by filing Form 1120–H on a timely basis, including extensions (see Instruction F).

C. Association Property Defined.—The term "association property" means:

1. property held by the association;
2. property held in common by the members of the association;
3. property within the association privately held by the members of the association; and
4. property owned by a governmental unit and used for the benefit of residents of such unit.

See Regulation section 1.528–3 for more detailed information.

D. Taxable Income.—Taxable income is the excess of:

1. gross income for the tax year (excluding any exempt function income) over

2. the deductions allowed which are directly connected with the production of gross income (excluding exempt function income) computed with the following modifications:

- a specific deduction of $100 is allowed.
- a net operating loss deduction (section 172) is not allowed.
- a deduction under part VIII of subchapter B (relating to special deductions for corporations) is not allowed.

Note: *For special rules for computation of association taxable income, see Regulation section 1.528–10.*

E. Where to File.—

If the homeowners association's main office is located in	Use this address
New Jersey, New York City and counties of Nassau, Rockland, Suffolk, and Westchester	Internal Revenue Service Center Holtsville, NY 00501
New York (all other counties), Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont	Internal Revenue Service Center Andover, MA 05501
Alabama, Florida, Georgia, Mississippi, South Carolina	Internal Revenue Service Center Atlanta, GA 31101
Michigan, Ohio	Internal Revenue Service Center Cincinnati, OH 45999
Arkansas, Kansas, Louisiana, New Mexico, Oklahoma, Texas	Internal Revenue Service Center Austin, TX 73301
Alaska, Arizona, Colorado, Idaho, Minnesota, Montana, Nebraska, Nevada, North Dakota, Oregon, South Dakota, Utah, Washington, Wyoming	Internal Revenue Service Center Ogden, UT 84201
Illinois, Iowa, Missouri, Wisconsin	Internal Revenue Service Center Kansas City, MO 64999
California, Hawaii	Internal Revenue Service Center Fresno, CA 93888
Indiana, Kentucky, North Carolina, Tennessee, Virginia, West Virginia	Internal Revenue Service Center Memphis, TN 37501
Delaware, District of Columbia, Maryland, Pennsylvania	Internal Revenue Service Center Philadelphia, PA 19255

Associations having their principal place of business outside the United States or claiming a credit under section 936 (relating to possessions tax credit) must file with the Internal Revenue Service Center, Philadelphia, PA 19255.

F. When to File.—In general, an association must file Form 1120–H by the 15th day of the 3d month after the end of the tax year.

File Form 7004 to request an automatic 3-month extension of time to file Form 1120–H.

File Form 7005 to request an additional extension after obtaining an automatic 3-month extension by filing Form 7004.

G. Period Covered.—File the 1980 return for calendar year 1980 and fiscal years that begin in 1980 and end in 1981. For a fiscal year, fill in the tax year space at the top of the form.

H. Amended Return.—Use Form 1120–H to correct any error in a previously filed income tax return. For exceptions, see Regulation section 1.528–8.

I. Depositary Method of Tax Payment.—The association must pay the tax due (line 22) either 1. in full when the return is filed or 2. in two equal installments. The installments are due by the 15th day of the 3d month and the 15th day of the 6th month after the end of the tax year.

Deposit association income tax payments with a preinscribed Federal Tax Deposit (FTD) Form 503. Make these tax deposits with either a financial institution qualified as a depositary for Federal taxes or the Federal Reserve Bank or Branch (FRB) servicing the geographic area where the association is located. Records of deposits will be sent to IRS for crediting to the association's account. See the instructions on the back of Form 503 for more information and exceptions.

In Schedule K, list all deposits on FTD Form 503 that relate to the tax year for which this return is filed and which were made before or at the same time this form was filed.

Preinscribed FTD Forms 503 will be mailed to the association on a regular basis depending on the association's tax year. You may apply for these forms from the Internal Revenue Service Center where the association files its return. If you do not have these forms when a deposit is due, mail your payment to the Internal Revenue Service Center where the association files its return. When applying for FTD Form 503 (and also when making a deposit without FTD Form 503), include the association's name, identification number, address, and the tax year to which the deposits relate.

J. Change in Accounting Period.—Before you can change an accounting period, you must get the Commissioner's approval (section 1.442–1 of the regulations) by filing Form 1128, Application for Change in Accounting Period. Also see **Publication 538,** Accounting Periods and Methods.

K. Accounting Methods.—Taxable income must be computed using the method of accounting regularly used in keeping the association's books and records. In all cases, the method adopted must clearly reflect taxable income. (See section 446.)

Unless the law specifically permits otherwise, the association may change the method of accounting used to report taxable income in earlier years (for income as a whole or for any material item) only by first getting consent on Form 3115, Application for Change in Accounting Method. Also see **Publication 538,** Accounting Periods and Methods.

L. Rounding Off.—You may show money items as whole-dollar amounts by dropping amounts under 50 cents and increasing amounts from 50 to 99 cents to the next higher dollar.

M. Attachments.—If you need more space on forms or schedules, attach separate sheets to the back of Form 1120–H. Attach schedules in alphabetical order and forms in numerical order. Be sure to put the taxpayer's name and employer identification number (EIN) on each sheet.

N. Signature.—The return must be signed and dated by the president, vice president, treasurer, assistant treasurer, chief accounting officer, or any other officer (such as tax officer) authorized to sign. A receiver, trustee, or assignee must sign and date any return required to be filed on behalf of an organization.

If your association officer filled in Form 1120–H, the Paid Preparer's space under "Signature of officer" should remain blank. If someone prepares Form 1120–H, and does not charge the association, that person should not sign the return. Certain others who prepare Form 1120–H should not sign. For example, a regular, full-time employee of the association such as clerk, secretary, etc., does not have to sign. (This list is not all inclusive.)

Generally, anyone who is paid to prepare Form 1120–H must sign the return and fill in the other blanks in the Paid Preparer's Use Only area of the return.

If the preparer is self-employed (that is, is not employed by any person or business entity to prepare the return), he or she should check the "self-employed" box.

If you have questions about whether a preparer is required to sign Form 1120–H, please contact an IRS office.

The preparer required to sign the return MUST complete the required preparer information and:

- Sign it, by hand, in the space provided for the preparer's signature. (Signature stamps or labels are not acceptable.)
- Give a copy of Form 1120–H to the taxpayer in addition to the copy filed with IRS.

Tax return preparers should be familiar with their responsibilities. **Publication 1045,** Information and Order Blanks for Preparers of Federal Income Tax Returns, lists some of the preparers' other responsibilities and penalties for which they may be liable. The publication also contains the regulation citations which govern their work.

O. Employer Identification Number.—All homeowners associations must use an employer identification number (EIN). If the EIN is wrong on the label or if a label was not received, show the correct number on the return.

An association that does not have an EIN should apply for one on Form SS–4, Application for Employer Identification Number. You can get this form at any IRS or Social Security Administration office. Send Form SS–4 to the same Internal Revenue Service Center to which you send Form 1120–H. If you have not received the EIN by the filing time for Form 1120–H, write "Applied for" in the space for the EIN.

P. Penalties.—

Avoid penalties and interest by correctly filing and paying the tax when due. The association may have to pay the following penalties unless it can show that failure to file or to pay was due to reasonable cause and not willful neglect. (These penalties are in addition to the interest charge on unpaid tax at a rate under section 6621.)

- A homeowners association that fails to file its tax return when due (including any extensions of time for filing) may be subject to a penalty of 5% a month, up to a maximum of 25%, for each month the return is not filed. (The penalty is imposed on the net amount due.)
- A homeowners association that fails to pay the tax when due may be subject to a penalty of ½% a month or fraction of a month, up to a maximum of 25%, for each month the tax is not paid. (The penalty is imposed on the net amount due.)

Q. Possessions Tax Credit.—See Form 5712 for rules on how to elect to claim the possessions tax credit (section 936). Compute the credit on Form 5735, and include the amount of the credit in the total for Schedule A (Form 1120–H), line 5. Write in the margin, next to the entry on line 5, the amount of the credit and identify it as a section 936 credit.

R. Estimated Tax, Minimum Tax, Investment Credit and Jobs Credit.—Estimated tax, minimum tax, investment credit and jobs credit do not apply to homeowners associations electing to file under section 528.

S. Residential Energy Credit.—Members of a condominium management association may be eligible for a credit based on their allocable share of the association's expenditures for energy-saving items installed after April 19, 1977. For additional information, see **Publication 903,** Energy Credits for Individuals.

Specific Instructions

Item A, Exempt Function Income.—Enter in Item A the total amount of exempt function income, for the tax year, as determined under the accounting method adopted by the association. Exempt function income consists of membership dues, fees, or assessments received from: 1. owners of residential units in the case of a condominium management association or 2. owners of residences or residential lots in the case of a residential real estate management association. Exempt function income must be derived from members in the capacity of owner members and not in the capacity as customers for services provided by the association.

Examples of exempt function income.

Assessments which are considered more in the nature of a fee for common activity than for the providing of services and which will therefore generally be considered exempt function income include assessments made for the purpose of:

1. Paying the principal and interest on debts incurred for the acquisition of association property;
2. Paying real estate taxes on association property;
3. Maintaining association property;
4. Removing snow from public areas; and
5. Removing trash.

Examples of receipts which are not exempt function income.

Exempt function income does not include:

1. Amounts which are not includible in the organization's gross income other than by reason of section 528 (for example, tax-exempt interest);
2. Amounts received from persons who are not members of the association;
3. Amounts received from members for special use of the organization's facilities, the use of which is not available to all members as a result of having paid the dues, fees or assessments required to be paid by all members;
4. Interest earned on amounts set aside in a sinking fund;
5. Amounts received for work done on privately owned property which is not association property; or
6. Amounts received from members in return for their transportation to or from shopping areas, work location, etc.

Note: *For more information as well as a special rule regarding exempt function income, see Regulation sections 1.528–9(a) and (d).*

Item B, 90% Expenditures Test.—Enter in Item B the total expenditures for the tax year, as determined under the accounting method adopted by the association, to acquire, construct, manage, maintain, and care for association property. (Include both current and capital expenditures on association property.)

Include in Item B: (1) salaries paid to an association manager or secretary and expenses of maintaining association newsletter; (2) expenses for gardening, paving, street signs, security personnel, and property taxes assessed on property owned by the association; (3) current operating expenses of tennis courts, swimming pools, recreation halls, etc.; and (4) expenses for replacement of common buildings, equipment, and facilities, such as replacement of heating, air conditioning, elevators, etc.

Do not include in Item B expenditures on privately owned property—as opposed to common property—unless the expenses are for the repair of exterior walls and roofs that qualify as association property. Also, do not include investments or transfers of funds held to meet future costs—for example, transfers to a sinking fund account for the replacement of a roof.

Item C, Total Expenditures.—Enter **total** expenditures, whether or not used in computing taxable income (Form 1120–H, line 17, page 1), for the tax year of the association, as determined under the accounting method adopted by the association.

Instructions for Schedule D

Purpose

Schedule D should be used by associations to report sales or exchanges of capital assets. Sales or exchanges of property other than capital assets, including property used in a trade or business, involuntary conversions (other than casualties or thefts), and gain from the disposition of interest in oil, gas, or geothermal property, should be reported on Form 4797, Supplemental Schedule of Gains and Losses. See the instructions for Form 4797 for more information.

If property is involuntarily converted because of a casualty or theft, use Form 4684, Casualties and Thefts.

Parts I and II

Generally, you should report the sales and exchanges even though there is no gain or loss. No loss is allowed for a wash sale of stock or securities or from a transaction between related persons. (Sections 1091 and 267.)

In Part I report the sale or exchange of

from a sale or exchange, by referring to its basis in the hands of the first taxpayer.

Special Rules for the Treatment of Certain Gains and Losses

● **Gain from installment sales.**—If you sold property on the installment basis at a gain, get **Publication 537,** Installment

1012). The exceptions to the general rule are provided in sections contained in subchapters C, K, O, and P of the Code. For example, if the association acquired the property by dividend, liquidation of a corporation, transfer from a shareholder, reorganization, contribution or gift, bequest, bankruptcy, tax-free exchange, involuntary