

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

1978

For calendar year 1978 or other taxable year beginning _____, 1978 and ending _____, 19__.

If Amending a Return (See Instruction H):

Indicate type of return that had originally been filed (i.e., Form 1120-H, Form 1120, Form 1041, etc.) . . . ▶ _____
 For calendar year 19__ or other taxable year beginning _____, 19__ and ending _____, 19__.

Use IRS label. Other- wise 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? <input type="checkbox"/> Yes <input type="checkbox"/> 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 taxable 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, 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 Salaries and wages	9	
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 10)	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) U.S. tax on special fuels, nonhighway gas and lubricating oil (attach Form 4136)		
22 Tax due (subtract line 21 from line 20). See instruction I for depository method of payment	22	
23 Overpayment (subtract line 20 from line 21)	23	

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.

Please Sign Here	Signature of officer	Date	Title
	Paid Preparer's Information	Preparer's signature	Preparer's social security no. <input type="checkbox"/> Check if self-employed <input type="checkbox"/>
	Firm's name (or yours, if self-employed), address and ZIP code	E.I. No. ▶	Date ▶

Schedule A.—Tax Computation Schedule (Fiscal year corporations—Do not compute your tax on Schedule A. Instead, compute your tax on Form 1120-H—FY (1978-79) and attach it to Form 1120-H.)

Table with 10 rows for tax computation. Columns include line numbers and descriptions: 1 Taxable income, 2 46% of the first \$25,000, 3 48% of taxable income in excess of \$25,000, 4 Total of lines 2 and 3, 5 Income tax, 6 (a) Work incentive credit, (b) Foreign tax credit, 7 Total of lines 6(a) and (b), 8 Subtract line 7 from line 5, 9 Tax from recomputing a prior year WIN credit, 10 Total tax.

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

Table with 6 columns: a. Kind of property and description, b. Date acquired, c. Date sold, d. Gross sales price less expense of sale, e. Cost or other basis, f. Gain or (loss) (d less e). Includes rows for unused capital loss carryover and net short-term capital gain or (loss).

Part II Long-term Capital Gains and Losses—Assets Held More Than ONE YEAR

Table with 6 columns: a. Kind of property and description, b. Date acquired, c. Date sold, d. Gross sales price less expense of sale, e. Cost or other basis, f. Gain or (loss) (d less e). Includes row for net long-term capital gain or (loss).

Part III Summary of Schedule D Gains and Losses

Table with 3 rows: 7 Enter excess of net short-term capital gain over net long-term capital loss, 8 Enter excess of net long-term capital gain over net short-term capital loss, 9 Total of lines 7 and 8.

Part IV Alternative Tax Computation (Fiscal year corporations—Do not compute your alternative tax on Part IV, Schedule D. Instead, compute your alternative tax on Form 1120-H—FY (1978-79) and attach it to Form 1120-H.)

Table with 6 rows for alternative tax computation: 10 Taxable income, 11 Excess of net long-term capital gain over net short-term capital loss, 12 Subtract line 11 from line 10, 13 46% of the first \$25,000, 14 48% of taxable income in excess of \$25,000, 15 30% of line 11, 16 Alternative tax.

Schedule K.—Record of Federal Tax Deposits Tax Class Number 503 (List Deposits in Order of Date Made—See Instruction I)

Table with 6 columns: Date of deposit, Amount, Date of deposit, Amount, Date of deposit, Amount.

Schedule L.—Balance Sheets

	Beginning of Taxable Year		End of Taxable Year	
	(A) Amount	(B) Total	(C) Amount	(D) Total
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) ► -----		-----
-----		-----
-----		-----
-----		-----
5 Total (add lines 1 through 4)	4	-----
6 Expenses attributable to nontaxable income (including exempt function income)	5	-----
7 Other decreases not included above (itemize) ► -----	6	-----
-----		-----
-----		-----
8 Total of lines 6 and 7	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. 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. 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 501 and related sections. (See section 7.0 of Temporary I.T. Regulations, relating to elections under the Tax Reform Act of 1976, 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.). The election by a homeowners association to file under section 528 is to be made by filing Form 1120-H, U.S. Income Tax Return for Homeowners Associations.

B. Homeowners Association Defined.—

A homeowners association (as defined in section 528) means an association which is (a) 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 (b) 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.

Furthermore:

- (1) 60 percent or more of the gross income of the association for the taxable year must consist of amounts that qualify as exempt function income (see Specific Instructions);
- (2) 90 percent or more of the expenditures of the association for the taxable year must be expenditures for the acquisition, construction, management, maintenance, and care of association property (see Specific Instructions);
- (3) 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
- (4) The association must elect to have section 528 apply for the taxable year by filing Form 1120-H on a timely basis, including extensions (see Instruction F). See Instruction H for exceptions.

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

- (a) property held by the association,
- (b) property held in common by the members of the association,

(c) property within the association privately held by the members of the association, and

(d) property owned by a governmental unit and used for the benefit of residents of such unit.

Although property maintained by the association is generally property owned by the association and available for common use by all members, or property owned by a governmental unit and available for the common benefit of residents of the unit, the association may maintain areas that are privately owned but affect the overall appearance and structure of the project. For example, in a condominium project, the condominium association may enforce covenants with regard to the appearance of the individual units and may maintain the exterior walls and roof of the individual condominium units. Although the property maintained is private, its appearance may directly affect the condition of the entire project. Therefore, the exterior walls and roofs may be considered as association property which may be maintained by a qualified association. However, for this property to qualify as association property, there must be a covenant of appearance applying on the same basis to all property in the project; there must be pro rata annual mandatory assessments for maintaining this property on all members of the association; and membership in the association must be compulsorily tied to every person's ownership of property in the project.

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

1. gross income for the taxable 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) a specific deduction of \$100 is allowed,
 - (b) a net operating loss deduction (section 172) is not allowed, and
 - (c) a deduction under part VIII of subchapter B (relating to special deductions for corporations) is not allowed.

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 Holtzville, 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, Form 1120-H must be filed on or before the 15th day of the 3rd month after the end of the taxable year.

You may request an automatic 3-month extension of time to file Form 1120-H by filing Form 7004.

Form 7005 may be used to request an additional extension, but only by associations that have previously obtained an automatic 3-month extension by filing Form 7004.

G. Period to be Covered by 1978 Return.—File the 1978 return for calendar year 1978 and fiscal years beginning in 1978 and ending in 1979.

H. Amended Return.—Use Form 1120-H to (1) amend a previously filed income tax return that was properly used to make an election under section 528, or (2) make an election under section 528 for taxable year(s) beginning after December 31, 1973 and ending before December 31, 1976 for which income tax return(s) other than Form 1120-H were filed before January 31, 1977 and the period for filing a claim for refund has not expired. Write "Amended Return" across the top of the return and in the space beneath the title of the form indicate (a) the type of return that had been originally filed (i.e., Form 1120, Form 1120-H, Form 1041, etc.), and (b) the taxable period covered by such return.

If an election is made to file Form 1120-H for a taxable year beginning in 1974, 1975 and/or 1976, and another type of income tax return (e.g., Form 1120) had been filed in those years in accordance with the preceding paragraph, IRS will automatically adjust for the tax and credits shown on the other income tax return in relation to the tax and credits shown on Form 1120-H and refund the net overpayment; or, if applicable, bill the association for the net balance due. In this case, complete a separate Form 1120-H for 1974, 1975 and/or 1976 as though original return(s) were being filed (however, make the entries called for in (a) and (b) above) and be sure to show the correct credits on lines 21(a)–(d). If estimated tax was paid in 1974, 1975 or 1976, include the amount paid for such year in line 21 (net of any refund claimed on Form 4466); also, enter such amount in the margin to the right of line 21 and identify it as estimated tax.

If Form 1120-H is being filed for a fiscal year beginning in 1974, see your Internal Revenue Service office regarding the computation of tax under section 21 (a proration is required because of a change in the tax rates).

I. Depositary Method of Tax Payment.—The balance of the tax due (line 22) must be paid in full when the return is filed or in

two installments, 50% by the 15th day of the 3rd month and 50% by the 15th day of the 6th month after the end of the taxable year.

Association income tax payments must be deposited at an authorized financial institution or Federal Reserve Bank or Branch (FRB), with a Federal Tax Deposit Form preinscribed with a Tax Class Number 503, in accordance with instructions appearing on the reverse of that form. Deposits made at an FRB must be made with the FRB servicing the geographic area where a taxpayer is located. The deposit must be made in a form of payment that the receiving FRB considers to be an immediate credit item. Additional information can be obtained from an authorized depository or FRB. Each deposit must be accompanied by a Federal Tax Deposit Form preinscribed with a Tax Class Number 503. Do not remit directly to Internal Revenue. Records of deposits will be sent to Internal Revenue for crediting to the corporation's account.

In Schedule K, list all Tax Class Number 503 deposits that relate to the taxable year for which this return is filed and which were made before or simultaneously with the filing of this return.

The timeliness of deposits will be determined by date received by the financial institution or FRB. If a tax payment is made by mail, a deposit received after the due date will be considered timely if the taxpayer established that it was mailed on or before the second day before the prescribed due date as provided by section 7502. Tax deposits made at FRBs which are not in compliance with deposit requirements will nevertheless be processed by the receiving FRB rather than returned to the taxpayer. Furthermore, such tax payments received by an FRB will be dated as paid based upon the date when the proceeds of the accompanying payment instrument are collected by the FRB, and if made by mail, section 7502 will not apply.

Federal Tax Deposit Forms preinscribed with a Tax Class Number 503 will be mailed to associations on a cyclical basis depending on the taxable year of the association. Associations needing such deposit forms may obtain them from the Internal Revenue Service Center where they will file their returns. The application should include the association's name, identification number (if any), address, and the taxable year to which the deposits relate.

J. Change in Accounting Period.—To change your accounting period, see section 1.442-1 of the regulations and Form 1128, Application for Change in Accounting Period.

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, you may not change the method of accounting used to report income in prior years (for income as a whole or for any material item) without first obtaining consent on Form 3115, Application for Change in Accounting Method.

L. Rounding Off to Whole-dollar Amounts.—The money items may be shown as whole-dollar amounts by eliminating any amount less than 50 cents and increasing any amount from 50 cents through 99 cents to the next higher dollar.

M. Attachments.—The association may use attachments if the lines of the form schedules are not sufficient. Attach schedules in alphabetical order and forms in numerical order to the back of Form 1120-H. Enter the association's name, address, and identifying number (if any) on all attachments.

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 corporate officer filled in Form 1120-H, the space under the signature of officer should remain blank. If someone prepares Form 1120-H and does not charge the corporation, 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 corporation 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 Information area of the return.

When more than one person prepares Form 1120-H, the preparer with primary responsibility for the overall accuracy of the return must sign as the preparer.

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

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

The person required to sign the return MUST:

—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.

Publication 1054 is a guide listing some of the preparer's other responsibilities and penalties for which he or she may be liable. The publication also contains the regulation citations which govern their work. Tax return preparers should be familiar with their responsibilities. This publication is available at IRS offices.

O. Identifying Number.—All homeowners associations must use an employer identification number. If the association does not have an employer identification number, it should apply for one from its Internal Revenue Service Center on Form SS-4, available from any Internal Revenue or Social Security Administration district office.

P. Penalties.—

Avoid penalties and interest by correctly filing and paying the tax when due.

1. A homeowners association that fails to file its tax return by the prescribed due

date 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.

2. A homeowners association that fails to pay the tax when due may be subject to a penalty of $\frac{1}{2}\%$ a month or fraction of a month, up to a maximum of 25%, for each month the tax is not paid.

The penalties mentioned above are imposed on the net amount due—see section 6651(a)(1) and (2).

The above penalties will not be imposed if the homeowners association can show that the failure to file or to pay was due to reasonable cause and not to willful neglect.

The penalties are in addition to the interest charge imposed on unpaid tax at a rate established pursuant to section 6621.

Q. Possession Tax Credit.—See Form 5712 regarding how to elect to claim the possession 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 7. Write in the margin next to the entry on line 7, the amount of the credit and identify it as being a section 936 credit.

R. Estimated Tax, Minimum Tax and Investment Credit.—Estimated tax, minimum tax and investment 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 taxable year, as determined under the accounting method adopted by the association. Exempt function income consists of membership dues, fees, or assessments received from: (a) owners of residential units in the case of a condominium management association or (b) 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 (for example, payments by owner members for maid service, secretarial service, cleaning, etc., are not to be included in Item A).

Include in Item A fixed annual membership dues or fees and assessments that vary depending upon the need of the association to pay for acquisition or construction, management, maintenance, improvements, real property taxes, etc., on the common property. Also include pro rata assessments, received from owners in the project, used for maintaining exterior walls and roofs of association property.

Do not include in Item A the following amounts: (1) assessments that are related to particular work done on the privately

owned property of an individual's residence (unless such property qualifies as association property); (2) amounts received from persons who are not owners of residential property in the project, or who are otherwise not association members; (3) interest earned on amounts set aside in a sinking fund for future improvements; (4) amounts paid by persons who are not members of the association for use of the association's facilities, such as tennis courts, swimming pools, golf courses, etc.; (5) amounts paid by members for special use of the association's facilities, the use of which would not be available to all members as a result of having paid the membership dues, fees, or assessments required to be paid by all members of the association (for example, if the membership dues, fees or assessments do not entitle a member to use the association's party room after a certain time period, then amounts paid for this use are not considered exempt function income and would be taxable to the association); and (6) assessments for capital improvements which otherwise would not be treated as income to the association but would be treated as capital contributions.

Item B, 90% Expenditures Test.—Enter in Item B the total expenditures for the taxable 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 taxable year of the association, as determined under the accounting method adopted by the association.

Instructions for Schedule D

This schedule provides for the reporting of sales or exchanges of capital assets. Every sale or exchange of property must be reported even though no gain or loss is indicated.

For reporting sales or exchanges of property other than capital assets including the sale or exchange of property used in a trade or business and involuntary conversions (section 1231), see Form 4797 and related instructions.

Capital Assets.—The Tax Reform Act of 1976 increased the holding period for long-term capital gains and losses to more than one year for taxable years beginning in 1978 and after.

For amounts received from an installment sale, the holding period rule in effect in the year of sale will determine the treatment of the amounts received as long-term or short-term gain.

Gains and losses on futures transactions (but not options on futures transactions) in any commodity subject to the rules of a board of trade or commodity exchange will retain the more than 6 month holding period rule for long-term treatment. See section 1222.

Each item of property held by a homeowners association (whether or not connected with its trade or business) is a capital asset except:

1. inventoriable assets or property held primarily for sale to customers;
2. depreciable or real property used in a trade or business;
3. certain copyrights, literary, musical, or artistic compositions, letters or memorandums, or similar property;
4. accounts or notes receivable acquired in the ordinary course of trade or business for services rendered or from the sale of property described in 1. above;

5. certain short-term Federal, State, and municipal obligations; and

6. a publication of the United States Government (including the Congressional Record) which is received from the United States Government or any agency thereof, other than by purchase at the price at which it is offered for sale to the public, and which is held by (a) a taxpayer who so received such publication, or (b) a taxpayer in whose hands the basis of such publication is determined, for purposes of determining gain from a sale or exchange, in whole or in part by reference to the basis of such publication in the hands of a taxpayer described in 6(a).

Capital Losses.—Capital losses are allowed only to the extent of capital gains. A net capital loss, however, may be carried back three years and forward five as a short-term capital loss. The capital loss may be carried back only to the extent it does not increase or produce a net operating loss in the taxable year to which it is being carried.

Under the provisions of section 6411, a quick refund of the tax overpayment created by the capital loss carryback may be obtained by filing Form 1139.

Exchange of "Like Kind" Property.—Although no gain or loss is recognized when property held for productive use in a trade or business or for investment (not including stock in trade or other property held primarily for sale, nor stocks, bonds, notes, choses in action, certificates of trust or beneficial interest, or other securities or evidences of indebtedness or interest) is exchanged solely for property of a "like kind" to be held either for productive use in a trade or business or for investment, you must report the transaction on Schedule D or Form 4797, whichever is applicable. If Schedule D is applicable, identify the property disposed of in column (a). Enter the date of acquisition in column (b) and write the date of exchange in column (c). Write "like kind exchange" in column (d) and enter the adjusted basis in column (e). Enter zero in column (f). (See section 1031.)

Alternative Tax Computation.—If the homeowners association has an excess of net long-term capital gain over net short-term capital loss, compute the tax using the alternative method (Part IV) to determine if the resulting tax is less than the tax computed using the regular method.