

**Kendall Yards Homeowners Association  
ANNUAL ELECTION: IRS REVENUE RULING 70-604  
Excess Income Applied to Future Obligations**

**EXPLANATION:** Tax experts recommend that all HOA hold an annual vote on elective IRS Ruling 70-604, which allows the HOA to file Form 1120 (vs 1120H) thus only net non-membership income would be taxed. If the election is not made, any excess membership income would be subject to higher taxation. Essentially, this election gives the Association's CPA the opportunity to file the tax form (1120 or 1120H) that's most advantageous for the HOA (whichever form provides the lowest tax liability). Most CPAs make this election on behalf of their clients when filing the HOA's annual return; this election documents the CPA's authority to make such a determination. The Association has always applied excess income (if/when it exists) to future obligations, this election resolution formalizes its decision to do so.

WHEREAS, the Kendall Yards Homeowners Association is a not for profit, mutual benefit corporation duly organized and existing under the laws of the State of Washington; and


WHEREAS, the members desire that the corporation shall act in full accordance with the rulings and regulations of the Internal Revenue Service;

NOW, THEREFORE, the members hereby adopt the following resolution by and on behalf of the Kendall Yards Homeowners Association:

RESOLVED, that any excess of membership income over membership expenses for the year ending 2021 and all years prior shall be applied against the subsequent tax year member assessments as provided by IRS Revenue Ruling 70-604.

This resolution is adopted and made a part of the minutes of the meeting of May 11, 2021.

RATIFICATION: I hereby attest that the resolution made herein was conducted by the Members at a duly called Annual Membership Meeting and ratified by my signature below.

DocuSigned by:  
  
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Joe Frank, Director

5/12/2021  
\_\_\_\_\_  
Date