

The Commonwealth of Massachusetts

Department of Revenue

Leverett Saltonstall Building,

100 Cambridge Street, Boston 02204

L. JOYCE HAMPERS
COMMISSIONER

October 13, 1982

You inquire as to the Massachusetts taxation and reporting responsibilities of ("Association").

The Association is a corporation organized under Chapter 180 of the General Laws. The Association was formed for the purpose of managing and maintaining the common areas and facilities of a housing development. The Association collects assessments from each lot owner which it deposits into an interest bearing bank account. Expenses connected with managing the common areas and facilities are paid out of this account. The Association has no other income.

The Association qualifies as a homeowners association for federal tax purposes under Section 528 of the Internal Revenue Code ("Code") and elects to be treated under that Code Section as a tax-exempt organization with respect to its "exempt function income." "Exempt function income" is defined as membership dues, fees or assessments. Other income, less a \$100 "specific deduction", is subject to federal taxation.

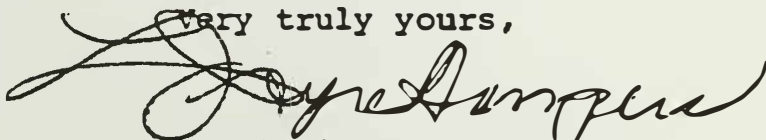
Corporations incorporated under Chapter 180 are subject to the Massachusetts corporate excise imposed on domestic corporations. (G.L. c. 63, ss. 30, 32).

In determining the net income measure of the corporate excise, "net income" is defined as gross income less the deductions, but not credits, allowable under the Code. Certain federal deductions, not here relevant, are not allowed. (G.L. c. 63, s. 30(5)(b)).

October 13, 1982

The Association which is incorporated under General Laws Chapter 180 and which is exempt from federal income taxation under Code Section 528 on its membership dues, fees and assessments is subject to the Massachusetts corporate excise and must file a Domestic Business or Manufacturing Corporation Excise Return, Form 355A. The Association must attach to its Form 355A a copy of its U. S. Income Tax Return for Homeowners Associations, Form 1120-H. Its net income for purposes of the income measure of its Massachusetts corporate excise will not include its exempt function income, but will be determined without regard to the federal specific deduction of \$100.

Very truly yours,

A handwritten signature in black ink, appearing to read "Joseph D. Amore", written in a cursive style.

Commissioner of Revenue

LJH:JD:mf

LR 82-94