"Dues Holiday" Is Bogus! Tell Board You Know The Truth!

Posted By bobfrank On September 18, 2010 @ 22:48 In Ann_Small, Removal Election, Truth Squad, SCA Board, Laws & Rules, Community Affairs, Operations | No Comments

For 3 straight years, the SCA Boards have declared "dues holidays" during the 4th quarters. However,that term is traditionally used with regard to "union dues". But, there is **no such thing as a "dues holiday" in a homeowner association**.

The Directors and Community Mangers have known it was a bogus term, but they use it to deceive our members into thinking it is some sort of "gift" from the board. Hogwash!

Nevada Statutes and IRS rules call such **reductions in annual assessments for homeowner associations "returns" of surplus assessments**. The returns are to be accomplished by credits to the unit owner accounts in the current year, or in the first quarter of the next year. The reason why such "returns" **must be made to members** is because the alternative is to **pay income taxes on those surpluses**.

"Returns" are required when the **board significantly over-charges the annual assessments**. It is standard budgeting practice to routinely charge slightly more annual assessments than expected. Members usually dislike being told towards the end of a year that an additional, special assessment was needed.

Standard practice in a non-profit homeowner association is to promptly return the end-of-year surplus–**all of it**–not just a small percentage.

The current plan for only returning $240 is **not even close to what the board owes our members**! Again, **such returns are NOT 'dues holidays"**

Your question should be, **when do we get the rest of the hundreds of dollars owed to members?**

For the record, below is a table of data extracted from the Board's annual financial reports where they openly admit they have been **grossly over-charging** annual assessments, and **routinely failing to return** the surpluses at the **end of each year**.

Such failures to return all surpluses are likely key reasons why the **IRS is currently conducting its corporate audit of the Board**. If HOA Boards **fail to return the assessment surpluses**, they **MUST report them as corporate income**, and pay taxes at the 30% rate. Otherwise, it could be considered a violation of Federal Income Tax Laws.

In case you are not aware of it, the data below is what the **SCA board have reported** concerning annual assessment rates, accumulated surplus assessments, refunds, and resulting "effective assessment amounts". It is obvious the board has been **systematically over-charging** on assessments for many years.

From the available data, the **annual assessment rate should be cut to around $800–instead of being increased** to **$1,200 per unit by 2014!**

Year	**Standard Assessment**	**Accumulated Surplus**	**Refund**	**Effective Assessment**
2005	$ 940	$ 909,000	-0-	$ 940

2006	$ 940	$ 2,348,000	-0-	$ 940
2007	$ 940	$ 3,179,000	-0-	$ 940
2008	$ 1,100	$ 3,845,000	$100	$ 1,000
2009	$ 960	$ 4,755,000	$240	$ 720
2010	$ 960	$ 3,371,500	$240	$ 720
2011	$ 1,050			
2012	$ 1,100			
2013	$ 1,120			
2014	$ 1,120			

WOW! What a difference honest assessment rate settings could make for many senior SCA homeowners **during the next decade**! And, what about those **millions of dollars of accumulated surplus assessments owed to the members**? When will they be coming?

You may be wondering why the assessments have been routinely over-charged for so many years? The board's **lame excuse** is that because it is "**about average**" for the Las Vegas area. But, that is a bogus reason! That is a **for-profit corporate concept** that **does not apply** to this HOA.

The laws allow the board to collect from members what is actually needed to **operate and maintain the community properties**. The laws do not allow HOA boards to get away with grossly over-charging and "**profiting**" by keeping the surplus assessments for the board to spend.

Due to the unique designs and features of SCA's community properties, the Board has actual experience that they only need to charge about **$800 per year**. So, why don't they **cut the rate** instead of plan to increase it?

When you dig into the details, you won't like the rationale! In addition, the board **is required by State and Federal laws to "return" the millions of accumulated surplus assessments** or pay income taxes at the 30% rate. In spite of having so many CPAs on the board and finance committee, I think you might see why so many members **have not been impressed with their performances since 2005**.

In addition, imagine how much easier it would be for those who need to sell their SCA units **if the board did its duty** and **cut assessments** and **maintained them at the proper level of around $800 per year**!

SCA could then be viewed as BOTH the **best designed** senior community, AND the **lowest cost/best value** age-restricted community in Nevada! That would come much closer to the "**paradise**" that certain board members love to claim!

So, tell the Directors **you know the truth**! Don't let them **get away with** such a **flagrant budget deception** again. **Demand they return all of the "surplus assessments" as required by law and cut 2011 assessments to $800!**
