



March 4, 2019

**Oak Mountain Home Owners Association
P.O. Box 288
Christoval, TX 76935**

Oak Mountain Home Owners Association:

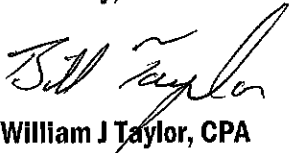
Oliver, Rainey & Wojtek, LLP assisted in the preparation of your 2018 Corporation income tax return. This letter is being written to help explain the tax liability of the HOA.

The result from the sale of a community park that was turned over to the Home Owners Association from the developer being sold was a tax liability of \$10,593 plus \$395 in an estimated tax penalty. The sale of the park created taxable income that requires Form 1120 to be used because more than 60% of the income was not tax exempt HOA membership dues. The land sale is not a type of excluding exempt function income allowed for Form 1120H.

After we determined that the transaction was taxable, we needed to determine basis of the property. The HOA had zero basis in the park because it was turned over by the developer after taking the costs associated with the park on subsequent years. The capital gain was calculated to be \$52,205 on the park property. The gain was then added to the HOA membership dues and operating expenses to arrive at the taxable income of \$50,444. The taxable income was taxed at the corporate tax rate of 21%.

We appreciate the opportunity to serve you. If you have any tax, accounting or financial needs in the future, we would be happy to help you.

Sincerely,



**William J Taylor, CPA
Partner**