

Instructions for Form 1120-H

U.S. Income Tax Return for Homeowners Associations

Section references are to the Internal Revenue Code unless otherwise noted.

Future Developments

For the latest information about developments related to Form 1120-H and its separate instructions, such as legislation enacted after they were published, go to [IRS.gov/Form1120H](https://irs.gov/Form1120H).

What's New

Increase in penalty for failure to file. For tax returns required to be filed in 2026, the minimum penalty for failure to file a return that is over 60 days late has been increased to the smaller of the tax due or \$525. See [Late filing of return](#), later.

Electronic payments. If the association has access to U.S. banking services or electronic payment systems, it should use direct deposit for any refunds and pay electronically for any payments, whenever possible.

Direct deposit. Direct deposit fields have been added onto the form on lines 26c, 26d, and 26e. If there is an overpayment on line 25, enter the amount the association wants refunded on line 26b and complete the direct deposit information on lines 26c, 26d, and 26e. Instead of a direct deposit of the association's refund, it can still choose to have all or part of the overpayment credited to next year's estimated tax by completing line 26a. See [Line 25. Overpayment](#), later, for more information.

Making a payment. If there is a balance due on line 24, go to [IRS.gov/Payments](https://irs.gov/Payments) for information on how to make a payment. See [Tax Payments](#) and the instructions for [Line 24. Amount owed](#), later, for more details.

Photographs of Missing Children

The IRS is a proud partner with the [National Center for Missing & Exploited Children® \(NCMEC\)](#). Photographs of missing children selected by the Center may appear in instructions on pages that would otherwise be blank. You can help bring these children home by looking at the photographs and calling 1-800-THE-LOST (1-800-843-5678) if you recognize a child.

The Taxpayer Advocate Service

The Taxpayer Advocate Service (TAS) is an **independent** organization within the IRS that helps taxpayers and protects taxpayer rights. TAS strives to ensure that every taxpayer is treated fairly and that you know and understand your rights under the [Taxpayer Bill of Rights](#).

As a taxpayer, the association has rights that the IRS must abide by in its dealings with the association. TAS can help the association if:

- A problem is causing financial difficulty for the association;
- The association is facing immediate threat of adverse action; or
- The association has tried repeatedly to contact the IRS but no one has responded, or the IRS hasn't responded by the date promised.

TAS has offices in every state, the District of Columbia, and Puerto Rico. Local advocates' numbers are in their local directories and at TaxpayerAdvocate.IRS.gov/Contact-Us. The association can also call TAS at 877-777-4778.

TAS also works to resolve large-scale or systemic problems that affect many taxpayers. If the association knows of one of these broad issues, report it to TAS through the Systemic Advocacy Management System at IRS.gov/SAMS.

For more information, go to TaxpayerAdvocate.IRS.gov.

How To Get Forms and Publications

Internet. You can access the IRS website 24 hours a day, 7 days a week, at IRS.gov to:

- Download forms, instructions, and publications;
- Order IRS products online;
- Research your tax questions online;
- Search publications online by topic or keyword; and
- Sign up to receive local and national tax news by email.

Tax forms and publications. The association can download or print all of the forms and publications it may need on IRS.gov/Forms.

Otherwise, the association can go to IRS.gov/OrderForms to place an order and have forms mailed to it. The IRS will process your order for forms and publications as soon as possible.

General Instructions

Purpose of Form

A homeowners association files Form 1120-H as its income tax return to take advantage of certain tax benefits. These benefits, in effect, allow the association to exclude exempt function income (defined later) from its gross income.

Electing To File Form 1120-H

A homeowners association elects to take advantage of the tax benefits provided by section 528 by filing a properly completed Form 1120-H. The election is made separately for each tax year and must generally be made by the due date, including extensions, of the income tax return.

This extension does not extend the time to pay the tax.

Once Form 1120-H is filed, the association cannot revoke its election for that year unless the IRS consents. The association may request IRS consent by filing a ruling request. A user fee must be paid with all ruling requests. For more information on ruling requests, see Rev. Proc. 2025-1, 2025-1 I.R.B. 1 (or any successor), available at [IRS.gov/irb/2025-01_IRB#REV-PROC-2025-1](https://irs.gov/irb/2025-01_IRB#REV-PROC-2025-1).

If the association does not elect to use Form 1120-H, it must file the applicable income tax return, for example, Form 1120, U.S. Corporation Income Tax Return.

A homeowners association should compare its total tax computed on Form 1120-H with its total tax computed on Form 1120. The association may file the form that results in the lowest tax.

Automatic 12-month extension to make election. If the homeowners association fails to make the regulatory election to be treated as a homeowners association, it can get an automatic 12-month extension to make the section 528 election, provided corrective action is taken within 12 months of the due date (including extension) of the return. See Regulations section 301.9100-2 for more information.

Tax rate. The taxable income of a homeowners association that files its tax return on Form 1120-H is taxed at a flat rate of 30% for condominium management associations and residential real estate management associations. The tax rate for timeshare associations is 32%. These rates apply to both ordinary income and capital gains.

If the association is tax exempt under section 501(a), do not file Form 1120-H. See section 6033 and related regulations. If the association loses its exempt status, see Regulations section 1.528-8(e).

Electronic Filing

Associations can generally electronically file (e-file) Form 1120-H, related forms, schedules, and attachments; Form 7004 (automatic extension of time to file); and Forms 940, 941, and 944 (employment tax returns). If there is a balance due, the association can authorize an electronic funds withdrawal while e-filing. Form 1099 and other information returns can also be electronically filed. The option to e-file does not, however, apply to certain returns.

Associations are required to e-file Form 1120-H if the association files 10 or more returns of any type during the calendar year (including income tax, employment tax, excise tax, and information returns). See Regulations section 301.6011-5. However, these associations can request a waiver of the electronic filing requirements.

For more information on e-filing, see [E-file for Business and Self-employed Taxpayers](#) on IRS.gov.

Definitions

Homeowners association. There are three types of homeowners associations.

1. A condominium management association organized and operated to acquire, build, manage, maintain, and care for the property in a condominium project substantially all of whose units are homes for individuals.

2. A residential real estate management association organized and operated to acquire, build, manage, maintain, and care for a subdivision, development, or similar area substantially all of whose lots or buildings are homes for individuals.

3. A timeshare association (other than a condominium management association) organized and operated to acquire, build, manage, maintain, and care for the property that has members who hold a timeshare right to use, or a timeshare ownership interest in, real property of the timeshare association. A timeshare association cannot be a condominium management association.

See Regulations section 1.528-4 for information regarding the “substantially all” test for condominium management associations and residential real estate management associations.

To qualify as a homeowners association, the following must apply.

- At least 60% of the association's gross income for the tax year must consist of exempt function income (defined later).
- At least 90% of the association's expenses for the tax year must consist of expenses to acquire, build, manage, maintain, and care for its property, and, in the case of a timeshare association, for activities provided to, or on behalf of, members of the timeshare association.
- No private shareholder or individual can profit from the association's net earnings except by acquiring, building, managing, maintaining, or caring for association property or by a rebate of excess membership dues, fees, or assessments.
- The association must file Form 1120-H to elect under section 528 to be treated as a homeowners association.

Association property. Association property includes real and personal property that:

1. The association holds,
2. The association's members hold in common,
3. The association's members hold privately within the association, and
4. Is owned by a governmental unit and is used to benefit the unit's residents.

Timeshare association property includes property related to the timeshare project that the association or its members have rights to use. These rights must arise out of recorded easements, covenants, or other recorded instruments.

For more information, see Regulations section 1.528-3.

Taxable income. Taxable income is the excess, if any, of:

1. Gross income for the tax year, excluding exempt function income, over
2. Allowed deductions directly connected with producing any gross income except exempt function income. Allowed deductions include a specific \$100 deduction. The following are not allowed.
 - Net operating loss deduction (section 172).
 - Deductions under Part VIII of subchapter B (special deductions for corporations).

If facilities are used (or personnel are employed) for both exempt and nonexempt purposes, see Regulations section 1.528-10.

Exempt function income. Exempt function income consists of membership dues, fees, or assessments from (a) owners of condominium housing units; (b) owners of real property in the case of a residential real estate management association; or (c) owners of timeshare rights to use, or timeshare ownership interests in, real property in the case of a timeshare association. This income must come from the members as owners, not as customers, of the association's services.

Assessments or fees for a common activity qualify but charges for providing services don't qualify.

Examples. In general, exempt function income includes assessments made to:

1. Pay principal, interest, and real estate taxes on association property;
2. Maintain association property; and
3. Clear snow from public areas and remove trash.

Income that is not exempt function income includes:

1. Amounts that are not includable in the organization's gross income other than under section 528 (for example, tax-exempt interest);
2. Payments from nonmembers;
3. Payments from members for special use of the organization's facilities, apart from the use generally available to all members;
4. Interest on amounts in a sinking fund;
5. Payments for work done on nonassociation property; and
6. Members' payments for transportation.

For more information, see Regulations section 1.528-9.

When To File

Generally, an association must file Form 1120-H by the 15th day of the 4th month after the end of its tax year.

However, an association with a fiscal year ending June 30 must file by the 15th day of the 3rd month after the end of its tax year. An association with a short tax year ending any time in June will be treated as if the short year ended on June 30, and must file by the 15th day of the 3rd month after the end of its tax year.

If the due date falls on a Saturday, Sunday, or legal holiday, the association may file on the next business day.

Private delivery services (PDSs). Associations can use certain PDSs designated by the IRS to meet the "timely mailing as timely filing/paying" rule for tax returns. Go to [IRS.gov/PDS](https://www.irs.gov/PDS) for the current list of designated services.

The PDS can tell you how to get written proof of the mailing date.

For the IRS mailing address to use if you are using a PDS, go to [IRS.gov/PDSStreetAddresses](https://www.irs.gov/PDSStreetAddresses).

Caution: PDSs can't deliver items to P.O. boxes. You must use the U.S. Postal Service to mail any item to an IRS P.O. box address.

Extension. File Form 7004, Application for Automatic Extension of Time To File Certain Business Income Tax, Information, and Other Returns, to request an extension of time to file. Generally, the association must file Form 7004 by the regular due date of the return. See the Instructions for Form 7004.

Note: If the association elects to file Form 1120-H, it should file for extension on Form 7004 using the original form type assigned to the entity.

Who Must Sign

The return must be signed and dated by the president, vice president, treasurer, assistant treasurer, chief accounting officer, or any other association officer (such as tax officer) authorized to sign.

If a return is filed on behalf of an association by a receiver, trustee, or assignee, the fiduciary must sign the return, instead of the association officer. Returns and forms signed by a receiver or trustee in bankruptcy on behalf of an association must be accompanied by a copy of the order or instructions of the court authorizing signing of the return or form.

If an association officer completes Form 1120-H, the paid preparer space should remain blank. Anyone who prepares Form 1120-H but doesn't charge the association should not complete that section. Generally, anyone who is paid to prepare the return must sign it and fill in the "Paid Preparer Use Only" area.

The paid preparer must complete the required preparer information and:

- Sign the return in the space provided for the preparer's signature, and
- Give a copy of the return to the taxpayer.

A paid preparer may sign the original or amended returns by rubber stamp, mechanical device, or computer software program.

Paid Preparer Authorization

If the association wants to allow the IRS to discuss its 2025 tax return with the paid preparer who signed it, check the "Yes" box in the signature area of the return. This authorization applies only to the individual whose signature appears in the "Paid Preparer Use Only" section of the return. It doesn't apply to the firm, if any, shown in that section.

If the "Yes" box is checked, the association is authorizing the IRS to call the paid preparer to answer any questions that may arise during the processing of its return. The association is also authorizing the paid preparer to:

- Give the IRS any information that is missing from the return;
- Call the IRS for information about the processing of the return or the status of any related refund or payment(s); and
- Respond to certain IRS notices about math errors, offsets, and return preparation.

Where To File

File the association's return at the address listed below.

If the association's principal business, office, or agency is located in:	Use the following address:
Connecticut, Delaware, District of Columbia, Georgia, Illinois, Indiana, Kentucky, Maine, Maryland, Massachusetts, Michigan, New Hampshire, New Jersey, New York, North Carolina, Ohio, Pennsylvania, Rhode Island, South Carolina, Tennessee, Vermont, Virginia, West Virginia, Wisconsin	Department of the Treasury Internal Revenue Service Center Kansas City, MO 64999-0012
Alabama, Alaska, Arizona, Arkansas, California, Colorado, Florida, Hawaii, Idaho, Iowa, Kansas, Louisiana, Minnesota, Mississippi, Missouri, Montana, Nebraska, Nevada, New Mexico, North Dakota, Oklahoma, Oregon, South Dakota, Texas, Utah, Washington, Wyoming	Department of the Treasury Internal Revenue Service Center Ogden, UT 84201-0012
A foreign country or U.S. territory	Internal Revenue Service Center P.O. Box 409101 Ogden, UT 84409

The association isn't authorizing the paid preparer to receive any refund check, bind the association to anything (including any additional tax liability), or otherwise represent the association before the IRS.

The authorization will automatically end no later than the due date (excluding extensions) for filing the association's 2025 tax return. If the association wants to expand the paid preparer's authorization, see Pub. 947, Practice Before the IRS and Power of Attorney.

Other Forms and Statements That May Be Required

See the Instructions for Form 1120 and Pub. 542, Corporations, for a list of other forms and statements the association may be required to file.

Qualified opportunity investment. If you deferred a capital gain in a qualified opportunity fund (QOF), you must file your return with Schedule D (Form 1120), Capital Gains and Losses; Form 8949, Sales and Other Dispositions of Capital Assets; and Form 8997, Initial and Annual Statement of Qualified Opportunity Fund (QOF) Investments, attached. You will need to file Form 8997 annually until you dispose of the investment. See the Form 8997 instructions.

Assembling the Return

To ensure that the association's tax return is correctly processed, attach all forms and schedules after Form 1120-H in the following order.

1. Form 4136.
2. Form 8978.
3. Form 8941.
4. Form 3800.
5. Schedules in alphabetical order.
6. Additional forms in numerical order.
7. Supporting statements and attachments.

Complete every applicable entry space on Form 1120-H. Do not enter "See Attached" or "Available Upon Request" instead of completing the entry spaces. If more

space is needed on the forms or schedules, attach separate sheets using the same size and format as the printed forms. If there are supporting statements and attachments, arrange them in the same order as the schedules or forms they support and attach them last. Show the totals on the printed forms. Enter the association's name and employer identification number (EIN) on each supporting statement or attachment.

Accounting Methods

Figure taxable income using the method of accounting regularly used in keeping the association's books and records. In all cases, the method used must clearly show taxable income. Permissible methods include cash, accrual, or any other method authorized by the Internal Revenue Code.

Change in accounting method. Generally, the association must get IRS consent to change either an overall method of accounting or the accounting treatment of any material item. To do so, the association must generally file Form 3115, Application for Change in Accounting Method. See the Instructions for Form 3115 and Pub. 538, Accounting Periods and Methods, for more information and exceptions.

Change of Tax Year

Generally, an association must get the consent of the IRS before changing its tax year by filing Form 1128, Application To Adopt, Change, or Retain a Tax Year. However, under certain conditions, an association can change its tax year without getting the consent.

For more information on change of tax year, see the Instructions for Form 1128 and Pub. 538.

Rounding Off to Whole Dollars

You may enter decimal points and cents when completing your return. However, you should round off cents to whole dollars on your return, forms, and schedules to make completing your return easier. You must either round off all amounts on your return to whole dollars, or use cents for all amounts. To round, drop amounts under 50 cents and

increase amounts from 50 to 99 cents to the next dollar. For example, \$8.40 rounds to \$8 and \$8.50 rounds to \$9.

If you have to add two or more amounts to figure the amount to enter on a line, include cents when adding the amounts and round off only the total.

Tax Payments

The association must pay any tax due in full no later than the due date for filing its tax return (not including extensions). **Do not** include the payment with the tax return. However, see [Line 24. Amount owed](#), later.

Electronic deposit requirement. Associations must use electronic funds transfers (EFT) to make all federal tax deposits (such as deposits of employment, excise, and income tax). An EFT can be made using the Electronic Federal Tax Payment System (EFTPS). However, if the association doesn't want to use EFTPS, it can arrange for its tax professional, financial institution, payroll service, or other trusted third party to make deposits on its behalf. Also, it may arrange for its financial institution to initiate a same-day wire payment (discussed below) on its behalf. EFTPS is a free service provided by the Department of the Treasury. Services provided by a tax professional, financial institution, payroll service, or other third party may have a fee.

To get more information about EFTPS or to enroll in EFTPS, go to [EFTPS.gov](#), or call 800-555-4477. To contact EFTPS using Telecommunications Relay Services (TRS) for people who are deaf, hard of hearing, or have a speech disability, dial 711 and then provide the TRS assistant the 800-555-4477 number above or 800-733-4829. Additional information about EFTPS is also available in Pub. 966.

Depositing on time. EFTPS accepts same day payments of \$1 million or less if the payment is submitted before 3:00 p.m. Eastern time on a business day. If the association's payment is more than \$1 million, the association must submit the deposit by 8:00 p.m. Eastern time the day before the date the deposit is due. If the association uses a third party to make deposits on its behalf, they may have different cutoff times.

Same-day wire payment option. If the association fails to submit a timely deposit transaction on EFTPS, it can still make its deposit on time by using the Federal Tax Collection Service (FTCS). To use the same-day wire payment method, the association will need to make arrangements with its financial institution ahead of time. Check with the financial institution regarding availability, deadlines, and costs. Financial institutions may charge a fee for payments made this way. To learn more about the information you will need to provide your financial institution to make a same-day wire payment, go to [IRS.gov/SameDayWire](#).

Estimated Tax and Alternative Minimum Tax

The estimated tax and alternative minimum tax requirements do not apply to homeowners associations electing to file Form 1120-H. However, a homeowners association that does not elect to file Form 1120-H may be required to make payments of estimated tax. Because the

election is not made until the return is filed, Form 1120-H provides lines for estimated tax payments and the crediting of overpayments against tax if estimated tax payments or overpayments apply.

Interest and Penalties

Interest. Interest is charged on taxes paid late even if an extension of time to file is granted. Interest is also charged on penalties imposed for failure to file, negligence, fraud, substantial valuation misstatements, substantial understatements of tax, and reportable transaction understatements from the due date (including extensions) to the date of payment. The interest charge is figured at a rate determined under section 6621.

Late filing of return. In addition to losing the right to elect to file Form 1120-H, a homeowners association that doesn't file its tax return by the due date, including extensions, may be penalized 5% of the unpaid tax for each month or part of a month the return is late, up to a maximum of 25% of the unpaid tax. The minimum penalty for a return that is over 60 days late is the smaller of the tax due or \$525. The penalty will not be imposed if the association can show that the failure to file on time was due to reasonable cause.

Late payment of tax. An association that doesn't pay the tax when due may generally be penalized 1/2 of 1% of the unpaid tax for each month or part of a month the tax isn't paid, up to a maximum of 25% of the unpaid tax. The penalty will not be imposed if the association can show that the failure to pay on time was due to reasonable cause.

Reasonable-cause determinations. If the association receives a notice about a penalty after it files its return, send the IRS an explanation and we will determine if the association meets the reasonable-cause criteria. **Do not** attach an explanation when the association's return is filed.

Other penalties. Other penalties can be imposed for negligence, disregard of rules or regulations, substantial understatements of tax, reportable transaction understatements, and fraud. See sections 6662, 6662A, and 6663.

Specific Instructions

Period covered. File the 2025 return for calendar year 2025, and fiscal years that begin in 2025 and end in 2026. For a fiscal or short tax year return, fill in the tax year space at the top of the form.

The 2025 Form 1120-H can also be used if (a) the association has a tax year of less than 12 months that begins and ends in 2026, and (b) the 2026 Form 1120-H isn't available at the time the association is required to file its return.

The association must show its 2026 tax year on the 2025 Form 1120-H and take into account any tax law changes that are effective for tax years beginning after December 31, 2025.

Name and address. Enter the association's true name (as set forth in the charter or other legal document

creating it), address, and EIN on the appropriate lines. Include the suite, room, or other unit number after the street address. If the post office doesn't deliver mail to the street address and the association has a P.O. box, show the box number instead.

If the association receives its mail in care of a third party (such as an accountant or an attorney), enter on the street address line "C/O" followed by the third party's name and street address or P.O. box.

If the association has a foreign address, include the city or town, state or province, country, and foreign postal code. Do not abbreviate the country name. Follow the country's practice for entering the name of the state or province and postal code.

Employer identification number (EIN). Enter the association's EIN. If the association doesn't have an EIN, it must apply for one. An EIN may be applied for:

- Online by visiting [IRS.gov/EIN](https://www.irs.gov/EIN) (the EIN is issued immediately once the application information is validated); or
- By mailing or faxing Form SS-4, Application for Employer Identification Number.

If the association has not received its EIN by the time the return is due, enter "Applied for" and the date you applied in the space for the EIN. For more details, see the Instructions for Form SS-4.

Only associations located in the United States or U.S. territories can use the online process.

Final return, name change, address change, amended return.

- If the association ceases to exist, file Form 1120-H and check the "Final return" box.
- If the association changed its name since it last filed a return, check the box for "Name change."
- If the association has changed its address since it last filed a return (including a change to an "in care of" address), check the box for "Address change."
- To amend a previously filed Form 1120-H, file a corrected Form 1120-H and check the "Amended return" box.

Note: If a change in address occurs after the return is filed, use Form 8822-B, Change of Address or Responsible Party—Business, to notify the IRS of the new address. See the instructions for Form 8822-B for details.

Item A. Type of homeowners association. See [Definitions](#), earlier.

Item B. 60% gross income test. At least 60% of the association's gross income for the tax year must consist of exempt function income. See [Exempt function income](#), earlier.

Item C. 90% expenditure test. At least 90% of the association's expenditures for the tax year must consist of expenses to acquire, build, manage, maintain, and care for association property, and, in the case of a timeshare association, for activities provided to, or on behalf of, members of the timeshare association. Include current and capital expenditures. Use the association's accounting method to figure the total.

Include:

1. Salary for an association manager or secretary;
2. Expenses for gardening, paving, street signs, security guards, and property taxes assessed on association property;
3. Current operating and capital expenditures for tennis courts, swimming pools, recreation halls, etc.; and
4. Replacement costs for common buildings, heating, air conditioning, elevators, etc.

Don't include expenditures for property that is not association property. Also, don't include investments or transfers of funds held to meet future costs. An example would be transfers to a sinking fund to replace a roof, even if the roof is association property.

Item D. Enter the association's total expenditures for the tax year including those expenditures directly related to exempt function income. Use the association's accounting method to figure the entry for item D.

Item E. Enter any tax-exempt interest received or accrued. Include any exempt-interest dividend received as a shareholder in a mutual fund or other regulated investment company (RIC).

Gross Income

Line 1. Dividends. Enter the total amount of dividends received during the tax year.

Line 2. Taxable interest. Enter taxable interest income received or accrued during the tax year on U.S. obligations and on loans, notes, mortgages, bonds, bank deposits, corporate bonds, tax refunds, etc. Do not offset interest expense against interest income.

Note: Do not report any tax-exempt interest on line 2. Include tax-exempt interest in the amount reported on item E.

Line 3. Gross rents. Enter the gross amount received for the rental of property. Deduct expenses such as repairs, interest, taxes, and depreciation on the proper lines for deductions.

Line 4. Gross royalties. Enter the gross amount of royalties received. Deduct expenses on the proper lines for deductions.

Line 5. Capital gain net income. Enter any gain from Schedule D (Form 1120). Every sale or exchange of a capital asset must be reported on Schedule D (Form 1120), Capital Gains and Losses, even if there is no gain or loss. Attach Schedule D (Form 1120).

Line 6. Net gain or (loss) from Form 4797. Enter the amount from Form 4797, Part II, line 17. Attach Form 4797. See the Instructions for Form 4797 for more information.

Line 7. Other income. Enter any other taxable income not reported on lines 1 through 6. List the type and amount of income on an attached statement. Do not include exempt function income (defined earlier). If the association has only one item of other income, describe it in parentheses on line 7.

Deductions

Line 9. Salaries and wages. Enter the total salaries and wages paid for the tax year. Do not include salaries and wages deductible elsewhere on the return, such as elective contributions to a section 401(k) cash or deferred arrangement, or amounts contributed under a salary reduction SEP agreement, or a SIMPLE IRA plan.

If the association provided taxable fringe benefits to its employees, such as personal use of a car, do not deduct as wages the amount allocated for depreciation and other expenses claimed on lines 14 and 16.

Note: If the association claims a credit, if applicable, for any wages paid or incurred, it may need to reduce any corresponding deduction for salaries and wages. See *Reducing certain expenses for which credits are allowable* in the Instructions for Form 1120.

Line 10. Repairs and maintenance. Enter the cost of repairs and maintenance not claimed elsewhere on the return, such as labor and supplies, that are not payments to produce or improve real or tangible personal property. See Regulations section 1.263(a)-1. For example, amounts are paid for improvements if they are for betterments to the property, restorations of the property (such as the replacements of major components or substantial structural parts), or if they adapt the property to a new or different use. Amounts paid to produce or improve property must be capitalized. See Regulations sections 1.263(a)-2 and (a)-3.

Line 11. Rents. If the association rented or leased a vehicle, enter the total annual rent or lease expense paid or incurred during the year. Also, complete Part V of Form 4562, Depreciation and Amortization. If the association leased a vehicle for a term of 30 days or more, the deduction for vehicle lease expense may have to be reduced by an amount includable in income called the inclusion amount. See the instructions for *Line 16. Rents* in the Instructions for Form 1120 for the lease inclusion amount.

Line 12. Taxes and licenses. Enter taxes paid or accrued during the tax year, but not the following.

- Federal income taxes.
- Taxes not imposed on the association.
- Taxes, including state or local sales taxes, that are paid or incurred in connection with an acquisition or disposition of property (these taxes must be treated as a part of the cost of the acquired property, or in the case of a disposition, as a reduction in the amount realized on the disposition).
- Taxes assessed against local benefits that increase the value of the property assessed (such as paving, etc.).
- Taxes deducted elsewhere on the return.

See section 164(d) for information on apportionment of taxes on real property between a seller and a buyer.

Line 13. Interest. The business interest expense deduction may be limited for certain associations. The Instructions for Form 8990, Limitation on Business Interest Expense Under Section 163(j), explain when a business interest expense deduction is limited, who is required to file Form 8990, and how certain businesses may elect out

of the business interest expense limitation. See Form 8990 and its instructions for details.

Line 14. Depreciation. Include on line 14 depreciation and the cost of certain property that the association elected to expense under section 179 from Form 4562. Attach Form 4562. See the Instructions for Form 4562.

Line 15. Other deductions. Attach a statement, listing by type and amount, all allowable deductions that are not deductible elsewhere on Form 1120-H. Enter the total on line 15.

Line 16. Total deductions. Expenses, depreciation, and similar items must not only qualify as items of deduction, but must also be directly connected with the production of gross income (excluding exempt function income) to be deductible in computing taxable income.

Line 20. Multiply the amount on line 19 (taxable income) by 30% (0.30) (timeshare associations multiply line 19 by 32% (0.32)). If the amount on line 19 is zero or less than zero, enter -0- on line 20.

Line 21. Tax credits. The association may qualify for the following tax credits.

- Foreign tax credit (Form 1118).
- General business credit (Form 3800).

Note: In general, homeowners associations cannot claim the investment credit. However, homeowners associations can make an elective payment election under section 6417 for the investment credits under sections 48, 48C, and 48E. See the instructions for line 23f, later.

Enter the total applicable credits on line 21 and attach the appropriate form(s).

Line 22. Total tax. If the association must recapture any low-income housing credit, qualified electric vehicle credit, new markets credit, or recapture excessive payments from Form 4255, include the amount of the recapture in the total for line 22. To the right of the entry space, enter "LIHTC," "QEVC," or "NMTC," "recapture"; and the amount. For details, see Form 4255, Certain Credit Recapture, Excessive Payments, and Penalties; Form 8611, Recapture of Low-Income Housing Credit; Regulations section 1.30-1 (regarding the qualified electric vehicle credit); Form 8874, New Markets Credit; or Form 8874-B, Notice of Recapture Event for New Markets Credit.

Line 23b. Estimated tax payments. Enter any estimated tax payments the association made for the current tax year.

Line 23d. Credit from Form 2439. Enter any credit from Form 2439, Notice to Shareholder of Undistributed Long-Term Capital Gains, for the association's share of the tax paid by a RIC or a real estate investment trust (REIT) on undistributed long-term capital gains included in the association's income. Attach Form 2439.

Line 23e. Credit for federal tax on fuels. Enter the total income tax credit claimed on Form 4136, Credit for Federal Tax Paid on Fuels. Attach Form 4136.

Line 23f. Elective payment election amount from Form 3800. Enter on line 23f the total net elective payment amount from Form 3800, Part III, line 6, column (j). See the Instructions for Form 3800.

Line 23g. Total payments and credits. Add the amounts on lines 23a through 23f and enter the total on line 23g.

Backup withholding. If the association had income tax withheld from any payments it received because, for example, it failed to give the payer its correct EIN, include the amount withheld in the total for line 23g. This type of withholding is called backup withholding. Show the amount withheld in the blank space in the right-hand column between lines 22 and 23g, and enter "Backup Withholding."

Line 24. Amount owed. Generally, the association must pay any tax due in full no later than the due date for filing its tax return (excluding extensions). Payment of the tax due must be made electronically. See [Electronic deposit requirement](#), earlier, for the payment options for the association. Also, go to [IRS.gov/Payments](#) for more detailed information.

If you can't pay the full amount of tax you owe, you can apply for an installment agreement online.

You can apply for an installment agreement online if:

- You can't pay the full amount shown on line 24,
- The total amount you owe is \$25,000 or less, and
- You can pay the liability in full in 24 months.

To apply using the Online Payment Agreement Application, go to [IRS.gov/OPA](#). Under an installment agreement, you can pay what you owe in monthly installments. There are certain conditions you must meet to enter into and maintain an installment agreement, such as paying the liability within 24 months and making all required deposits and timely filing tax returns during the length of the agreement. If your installment agreement is accepted, you will be charged a fee and you will be subject to penalties and interest on the amount of tax not paid by the due date of the return.

Line 25. Overpayment. If there is an overpayment on line 25, enter the amount the association wants refunded on line 26b. See the instructions for line 26b, later. The association can also choose to have all or part of the overpayment credited to next year's estimated tax by completing line 26a. See the instructions for line 26a, next.

Line 26a. Credited to estimated tax. The association can elect to apply all or part of the association's overpayment to next year's estimated taxes.

Enter the amount of any overpayment that should be applied to next year's estimated tax.

This election to apply some or all of the overpayment amount to the association's 2026 estimated tax cannot be changed at a later date.

Line 26b. Refunded. Enter the amount to be refunded to the association on line 26b. If the association has access to U.S. banking services, it should use direct deposit for any refunds, whenever possible.

The benefits of a direct deposit include a faster refund, the added security of a paperless payment, and the savings of tax dollars associated with the reduced processing costs.

Direct deposit of refund. If the association wants its refund directly deposited into its checking or savings

account at any U.S. bank or other financial institution, complete lines 26c through 26e. See the instructions for lines 26c, 26d, and 26e, later.

To have your refund direct deposited, you must complete lines 26c through 26e.

The association is not eligible to request a direct deposit if:

- The receiving financial institution is a foreign bank or a foreign branch of a U.S. bank, or
- The association has applied for an EIN but is filing its tax return before receiving one.

Line 26c. Routing number. The routing number must be nine digits. The first two digits must be 01 through 12 or 21 through 32.

Ask the association's financial institution for the correct routing number to enter on line 26c if:

- The routing number on a deposit slip is different from the routing number on your checks,
- Your deposit is to a savings account that doesn't allow you to write checks, or
- The association's checks state they are payable through a financial institution different from the one at which the association has its checking account.

Line 26d. Type of account. Check the appropriate box for the type of account. Don't check more than one box. The association must check the correct box to ensure the deposit is accepted.

Line 26e. Account number. The account number can be up to 17 characters (both numbers and letters). Include hyphens but omit spaces and special symbols. Enter the number from left to right and leave any unused boxes blank.

If the direct deposit to the association's account is different from the amount you expected, the association will receive an explanation in the mail about 2 weeks after the refund is deposited.

Conditions resulting in a refund by check. If the IRS is unable to process the request for a direct deposit, a refund by check will be generated instead. Reasons for not processing a request include:

- The name of the association on the tax return does not match the name on the account.
- The financial institution rejects the direct deposit because of an incorrect routing or account number.
- The association fails to indicate the type of account the deposit is to be made to (that is, checking or saving).

Note: The IRS isn't responsible for a lost refund if the association enters the wrong account information. Check with the association's financial institution to get the correct routing and account numbers and to make sure the direct deposit will be accepted.

Paperwork Reduction Act Notice. We ask for the information on this form to carry out the Internal Revenue laws of the United States. You are required to give us the information. We need it to ensure that you are complying with these laws and to allow us to figure and collect the right amount of tax.

You are not required to provide the information requested on a form that is subject to the Paperwork

Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by section 6103.

The time needed to complete and file this form will vary depending on individual circumstances. The estimated burden for business taxpayers filing this form is approved under OMB control number 1545-0123 and is included in the estimates shown in the instructions for their business income tax return.

If you have comments concerning the accuracy of the time estimates or suggestions for making this form simpler, we would be happy to hear from you. You can send us comments from IRS.gov/FormComments. Or, you can write to the Internal Revenue Service, Tax Forms and Publications Division, 1111 Constitution Ave. NW, IR-6526, Washington, DC 20224. Do not send the tax form to this office. Instead, see [Where To File](#), earlier.
