



What are the Legal Requirements in Maintaining a POA?

To stay within the legal requirements of PMCPOA's beneficial tax status, there is a balance that the Board and PMCPOA management must maintain in doing business.

Generally, nonprofit clubs such as PMCPOA that are organized and operated for the benefit of its members must follow certain rules to qualify for tax exemption. One such rule is that substantially all of a club's activities must be for the pleasure and recreation of its members. Another rule is that no part of the organization's net earnings may benefit any person having a personal or private interest in the activities of the organization. The law further dictates that nonprofits such as PMCPOA must not discriminate against any person on the basis of race, sex or religion.

Where these laws can get tricky is when the association generates revenues from sources outside of the membership. Tax laws dictate that a nonprofit, mutual-benefit corporation/social club such as PMCPOA may receive up to 35 percent of its gross receipts from nonmember sources, including investment income. Fifteen percent of gross receipts may be derived from nonmember use of club facilities and services. (Gross receipts are the monies taken in from the normal and usual activities of the club, including charges, admissions, membership fees, dues, assessments, investment income, and normal recurring capital gains on investments.)

Because of this allowance, it can be tempting to advertise and hold events open to the public to generate income. However, if the maximum amounts of allowed outside income are exceeded, the association jeopardizes its exempt tax status.

Because of this, each advertised activity must



be examined within the parameters of the tax-exempt status requirements, and membership requirements to engage in club activities must be clearly spelled out.

Advertising in PMC for the purposes of informing existing members about events or to attract potential new members is generally not a problem. However, advertising to the general public is where the greatest potential for trouble lies, because revenue derived from the public is considered nonmember income. This is why events in PMC are not usually advertised outside of the community.

A good example of this balance in bringing in revenues without putting the tax-exempt status in peril is weddings. Pine Mountain Club is a beautiful place to get married. However, this privilege is generally reserved for members or sons and daughters of members. PMCPOA does not advertise its wedding services outside of the membership, because the revenue brought in by this could quickly turn PMCPOA into a for-profit business.

The association must tread very carefully not to break tax-exemption laws. The Board and management work hard to understand and pay careful attention to the purpose of the activities being promoted in PMC. The goal is to take full advantage of the multiple opportunities for the growth and fulfillment of the membership while staying in compliance with the tax code.

What is the Difference Between an HOA and a POA?

POAs and HOAs are very similar and can be run in basically the same way. However, to start an HOA within a neighborhood, there must be existing dwelling units. The homeowners become members of the association and work together to establish rules to make the neighborhood better. POAs tend to be more remote geographically and recreational in nature. A POA can be started with nothing but empty lots adjacent to a landmark, such as a golf course, in hopes that people will buy the land for its location. Lot owners eventually build vacation homes and cabins on their lot so they can enjoy the amenities. A POA



You Live in a POA: What Does That Mean?

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So Just What is a POA Anyway?

As most people who live in Pine Mountain Club already know, the community is a property owners' association. But what members may not understand is exactly what that means.

PMCPOA Mission Statement

Pine Mountain Club is governed by a nine-member Board of Directors, and overseen by the association's management team, with input from various committees. In making decisions about how to operate the association, these overseeing entities begin by keeping the philosophy of PMCPOA's mission statement in mind. It reads as follows:

"The Pine Mountain Club Property Owners Association will provide high-quality services to its members and continually improve its organizational operations and capital assets while maintaining fiscal responsibility. It will protect the intimacy and mutual respect of the community's small-village atmosphere and practice sound stewardship in conserving the surrounding natural environmental resources."

Operations of PMCPOA are also dictated by laws and rules surrounding how a POA must function, based on its tax status.

The Benefits of Living in a POA

As explained in the "Amenities" pamphlet, PMCPOA was formed as a nonprofit, mutual-benefit corporation because of the tax benefits provided under this type of organization. As such, the association works for the betterment of its group of members rather than for the benefit

of the public at large as is the case with tax-exempt charities.

Pine Mountain Club is what is known as a Common Interest Development (CID), and enjoys the benefits of this status, including collective management, privatization of functions that would otherwise be in the hands of individuals or governmental agencies, more affordable property ownership, amenities and assets that would not be possible without the association, the oversight of dispute and conflict resolution, and of course the sense of community that can be found when living in a CID.

If PMC had not been formed as a nonprofit, mutual-benefit corporation, the duties and services that are provided by the association, such as road maintenance, snow plowing and the Transfer Site, would fall under the domain of county and state agencies. Given its small size and remote location, this could be problematic. Privatization of these types of services allows municipalities to permit the continued development of needed housing without having to pay directly for that infrastructure through the tax base.

Community associations such as PMCPOA also help maintain property values because they avoid the "tragedy of the commons," (in which no one is responsible) through mandatory membership and collective management. Mandatory assessments and agreements between the association and the property owners help prevent the "free rider" issue. In other words, community associations are an efficient means of providing services, assigning payment responsibility and being responsive to local concerns. Property owners are not left to take responsibility for



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these duties by themselves. For that reason, the number of community associations in the United States has increased dramatically over the past 50 years.

In addition to task oversight, living in a POA also affords members a diverse variety of services and amenities that they likely would not otherwise enjoy. In PMC, members have access to common facilities such as the golf course, swimming pool, tennis courts, equestrian center and recreation room. Very few Americans can afford such benefits without the shared responsibility enabled by common interest communities. Community associations give people options, alternatives, facilities and resources they could not otherwise enjoy.

Community associations also bring people together, strengthen neighborhood bonds and promote a sense of belonging—attributes that are often overlooked in today's fast-paced culture. Members of a POA can take advantage of association-sponsored activities such as holiday events, parties, social clubs and group recreation. These activities help members get to know one another and forge new, supportive and often enduring friendships. A fine example of this in Pine Mountain Club is the formation of the Aging in Place Task Force. PMCPOA members care about each other, and this group focuses on enabling our aging residents to stay in Pine Mountain Club while growing older despite its remote location and sometimes challenging conditions.