

CCA - Central Community Alliance

The Citizen's Forum

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STARTING A HOMEOWNERS ASSOCIATION IN CENTRAL

Strong civic engagement is the hallmark of a healthy society and a successful democracy. For our investment of participation, we reap the benefits of a better city, state and country.

Note: The information in this document is provided only as a guideline and may not be current with all data and CCA is not responsible for errors. Always check for updated information.

INTRODUCTION

It only takes a handful of people to start an organization. You can do it. We did it. The Central Community Alliance began in 2002 with just two people and grew to over 100 members! This booklet will walk you through the process of creating your own community organization. We, the CCA, wanted to take part in the decision making which directs community actions. We formed the Central Community Alliance, which promotes networking among businesses, churches, schools and neighbors. The CCA empowers residents with an effective communication link with our local Central government and other influential groups.

*Note: The forms that you will find in this tool box will be the **Articles of Incorporation** (Secretary of State) and the **Tax Identification Number** (Federal Government). A form is also included to help you create a set of by-laws.*

STEP 1: GETTING STARTED

One of your largest investments in your lifetime is your home. Creating a strong homeowners association will help you protect this investment. Members of the Central Community Alliance formulated a toolbox to help you get started in this process.

- 1) Find a neighbor or two in your subdivision that will be willing to help you. Meet with them.
- 2) Call the **Secretary of State's Office** at 925-4704 (3851 Essen Lane, Baton Rouge, LA 70809). See if a civic or homeowners association already exists. This is to check on the availability of your corporate name. The state does not allow duplication of corporate names and your proposed name may already be in use.
- 3) Obtain a copy of your building restrictions. These can be found by going to the Clerk of Court office. This is located in the basement of the Governmental Building, 222 St. Louis St. Baton Rouge, LA 70821. The telephone number is 389-3050. You are looking for room B-115 of the Public Service Department and Conveyance Records Department. After you get a copy of your restrictions, see if they provide for a homeowners association. If they do and it has not been formed, then follow the restrictions in regard to the requirements.
- 4) Contact a number of residents to be the incorporators and first directors. A meeting at someone's home will suffice. You can incorporate with only one person, but three would be better. The first Board of Directors in a non-profit homeowners association must actually be named in the

Articles of Incorporation with home addresses (not PO boxes). Try 3 or 5 initially, but always an odd number.

STEP 2: YOUR SUBDIVISION'S ARTICLES OF INCORPORATION AND THE SECRETARY OF STATE'S OFFICE

A corporation is formed under state law by filing Articles of Incorporation with the Louisiana Secretary of State's Office. The state must generally approve and date-stamp the articles before they are effective.

You may consult the Secretary of State's office in order to get information on incorporation, or you may visit the website at www.sec.state.la.us. See information concerning the Commercial Division. The Secretary of State's Office is located at 8549 United Plaza Boulevard off Essen Lane. (PO Box 94125, Baton Rouge, LA, 70804-9125)(927-4704). The Secretary of State's Office strongly advises new applicants to seek legal advice from an attorney and tax and other business advice from an accountant.

After you fill out the form, you can deliver it to the Secretary of State's Office and pay a \$65 fee. There is usually a 30 day waiting period to incorporate. The forms must be notarized. All the officers of the corporation must sign two copies of the Articles of Incorporation in front of a Notary Public. You must write a letter indicating the date you want your organization to be incorporated and submit the letter along with the Articles of Incorporation. After you receive a certified copy of the Articles of Incorporation and a Certificate of Incorporation, you must file the following documents with the office of the recorder of mortgages at the Clerk of Court Office. This can be completed downtown or on Coursey Boulevard. The fee is \$25.

- 1) Another original of the Articles of Incorporation
- 2) A copy of the Certificate of Incorporation

What if your homeowners association has been incorporated? This process is called the reactivation procedure. The cost is usually \$65 depending on how many years it has been inactive. After the first year, your homeowners association will have to pay a \$5 fee each year to keep current. Make sure you give a reliable address. Many times, people move and the yearly bill gets thrown away.

Note: Articles of Incorporation do not make an organization a nonprofit organization. Nonprofit status is given by the Internal Revenue Service. Most homeowners associations fall under the heading of 501(c)(4). This deals with Civic Leagues and Social Welfare Organizations. If your organization is not organized for profit and will be operated only to promote social welfare, you should file Form 1024 to apply for recognition of exemption from federal income tax under section 501(c)(4). If your organization does not have an independent social purpose, such as providing recreational facilities for members, it may be exempt under section 501(c)(3). In this event, your organization should file Form 1023.

*The decision to apply for a 501(c)(3) status with the IRS is a big step for a neighborhood association and should be considered carefully. This deals with religious, educational, charitable organizations. Applying for and maintaining nonprofit status at this level requires a great deal of paperwork and record keeping. A specific advantage of qualifying under section 501(c)(3) is that generally **contributions to the organization are deductible** as charitable contributions on the **donor's** Federal income tax return Contributions to most tax exempt organizations other than 501(c)(3) are not deductible*

You will want to apply for either a 501(c)(3) or a 501(c)(4) status with the IRS. This way your organization will not have to pay income tax on any monies your organization collects.

STEP 3: THE BANK ACCOUNT AND THE TAX ID NUMBER

Over time, every neighborhood association accumulates money for one reason or another. Soon a neighborhood association must consider what kind of bank account to open and how to open the account. It is important to note that either a person or a corporation can open an account. One of the first things you need to do is apply for a tax identification number. You must do this to get a bank account in the name of your organization.

A tax identification number is a federal tax number that is filed with the IRS. This number allows you to open an account on behalf of the association. This enables the bank to report the earnings of the account to the IRS

Without the tax ID number, whoever opens the account will have to use his personal social security number and be liable to pay taxes on the association's money. If the person with the account dies, that money will be frozen and will be part of probate. Also, all checks will have to be made out to an individual instead of an organization's name. This is confusing, especially since you will probably change treasurers often.

You can obtain the Application for Employer Identification Number by contracting the Internal Revenue Service (2600 Citiplace Centre, Baton Rouge, LA, 70808.) (343-8625) or our Main Library. Ask for Form SS-4: Application for EIN.

STEP 4: WRITING THE BY-LAWS

Bylaws provide an overall framework for your organization and outline general rules that govern the day-to-day operation of the group. They should state the organization's purpose, mission, and structure. In writing bylaws, use language that everyone can understand. Remember, bylaws are just an instruction manual for your group.

There are some different ways to set up your organization. Your purpose should reflect the government guide lines for setting up a non-profit organization. For example, if you want to work towards a 501(c)(3) status with the federal government, then make your purpose coincide with the statements under the federal government guide lines.

There are two ways to elect your officers. One way would be to hold a general election of your officers and board members. The other way is to elect a Board of Directors each year and authorize the Board to elect the officers who are on the Board. The latter suggestion is the recommended one. It is much easier to elect Board members at the General Meeting than to elect officers. Also, it is good to stagger the terms of the Board members. For example, elect four of seven one year and three of seven the following year. This way you will not be faced with all new Board members at the same time each year.

STEP 5: A POLICIES AND PROCEDURES MANUAL

What happens when you pass the torch? What happens when you have new officers? It is a good idea to have a Policies and Procedures Manual handy. This will tell new officers how your organization is run. Even though you meet once a year, there are still month by month activities. When are your dues due? When do you send out the dues renewal notice? When is the election of your Board? Also you might want to keep a copy of forms you have used in the past as a guide.