



Board Reconsiders Inherited Properties Buy-in Fee

Description

Near the end of the February 2, 2022 Board Discussion Session, Vice-chair, Tucker Omohundro brought up the subject of buy-in fees for inherited properties for reconsideration by the Board.

Omohundro: “To bring up a subject here, some people know that I monitor social media. I do it for a reason. I like to know what people are saying out there.”

Omohundro: “There has been a real consensus out there that this \$1,500 buy-in fee is a death tax. I personally have responded back and forth to people, trying to explain, so forth. Not arguing. Not fighting or anything. Just explaining it. But I’ve always felt in my business career, I have always told people that you need to put yourself on the other side of the desk when you evaluate and make decisions. Nobody did that to me, so I did it to myself.”

Omohundro: “I told people that probably one in 10 or 15 inherited properties, the person would keep the property. I believe that to be true. Most of them will sell the properties. They won’t move to Hot Springs Village because their mom gave them a house. Most people don’t uproot their families just because they inherited a free house in another state. But I don’t know that.”

Omohundro: “Having said that, that would be one out of 15 that would happen in one or two years, was my response. When I thought about that response. I also reversed it on myself. We’re only going to collect one of 15 every two years because everybody else will sell and won’t be required to pay it.:

Omohundro: “Is it really worth that much to us to have the reputation of a “death tax”? It’s so little amount of money, do we really want to do that? My opinion is, obviously, or I wouldn’t have brought it up, that we need to relook at this and maybe we shouldn’t do that.”

Omohundro: “Our intent was never to hurt anybody in this Village. It was all about the future people coming in, to write a check, [in order] to be here.”

Omohundro: “Does that fall down to my daughter? – She lives here anyway. But should it? I don’t know. But I think it is worth at least thinking about. I would not have a problem getting rid of it. This is my point.”

Director Pam Avila: “You are saying, not get rid of the buy-in fee, per se?”

Omohundro: “No.”

Avila: “You are saying, ‘kind of re-evaluate when we charge that fee?’”

Omohundro: “Just an example is my daughter. She does live here, but I am going to use her for an example. If I passed away and my daughter lived in Chicago and she inherited my house and she didn’t sell it, I am saying she still doesn’t have to pay the \$1,500 buy-in fee because I think that is going to happen so seldom. I really do.”

Omohundro: “Again, I put myself on the other side of the desk. It’s a negative. It bothers people and that is important that we try to do the best we can for the community. Some people feel it is hurting them personally and that was not our intent. This is a small cost to us, I believe, to listen to the community. That is just my thought.”

Chair Joanie Corry: “You are talking only inherited?”

Omohundro: “Right.”

Omohundro: “We really don’t have a clue what this is going to cost us at all. We really don’t have a clue what it is going to make us, either.”

McLeod: “We’ve got a clue.”

Omohundro: “We do? We know how many people inherited a house?”

McLeod: “We don’t know how many people that is going to be but we know how many houses are sold in a year and...”

Omohundro: “But that has nothing to do with it. I’m not talking about how many houses are sold in a year.”

McLeod: “But that’s the revenue.”

Omohundro: “I am not talking about the houses that are sold. I am talking about inherited houses.”

This is only about houses that are inherited and the heir moves into the house. This is not about inherited houses that are sold. The buyer is responsible for the \$1,500 buy-in fee.

McLeod: “I agree with you.”

Director Gary Belair: “Let’s play devil’s advocate, just one second before we go to the next step. Everybody’s favorite government agency, the IRS, has published exceptions for years and years and it seems to never end. There is an exception to every tax table, every deduction, every identified bit of

income. So, where do we stop? Playing Devil's Advocate here. Where do we stop? We established a procedure and now we want to carve out part of it. What's next?"

Belair: "At this point in time, I am not sure which side of this question I would be on, but I have to ask that kind of question. Where does it stop?"

Omohundro: "Hopefully, never. We'll continue to always look at stuff."

McLeod: "It is something we just started. We got some start and stop things we need to adjust. I think an adjustment like that wouldn't be bad. It would be good. It takes care of the major problem, we've heard from the community. We address it then and then I don't know that we'd make any changes in the future – any exceptions in the future. This sounds like a reasonable exception."

Belair: "If we proceed, we'll put it on the agenda – we would alter the definitions in Chapter 1, Article 5 that defines membership transfer fee and so forth. We would alter that. Does that...?"

Corry: "I think Coreena can address that."

Omohundro: "I think Coreena can take that out, just tell us what we need to do."

Fetterhoff: "Yes, you would need to modify what the policy states because it does state that if there is a change in the tax ID number and if you are inheriting it if you don't leave it in the trust."

Fetterhoff: "Part of that is trying to work with the Property Owners as to what Tucker said. I honestly don't believe this was ever set in place to gouge anybody, by any means. And we understand there are some exceptions and we need to work through some of this. There is documentation that has to be provided for us to know whether it is a valid fee to impose or not. If that is a decision you guys decide to make, we will revisit the documentation and come up with a way to make sure that we can encompass that into it."

Belair: "At this point, as Tucker said, we don't really know how many residents this affects."

Omohundro: "We don't have a clue."

Fetterhoff: "It's going to come down to what documentation they are able to provide. Are they going to provide us a last will and testament that shows they are the ones inheriting it? What's on the deed? There are just different things that we are going to have to research around it?"

Omohundro: "Again, it affects only the people that keep the house. We really don't know how many that happens."

Avila: "That inherited and keep it."

Omohundro: "We don't know if that is one every year or one every five years. Who really knows?"

Omohundro: "If my daughter inherits my house, she already lives here. She wouldn't pay it anyway."

Director Chris Jones: "It's not just houses, it's lots, too. You keep saying houses. It is houses and lots and most people do keep the lot."

Omohundro: "That is a good point. Do we do it for houses and lots or just do it for houses?"

McLeod: "I think you do it for houses and lots."

Corry: "It would be across the board, I would think."

Belair: "I believe if we do it, it would be across the board."

McLeod: "You would have a lot more lots than you would houses, probably."

Corry asked if we want to move this to the next level and ask Coreena to determine whether this is a fairly simple change that doesn't cause a lot of issues.

Fetterhoff said they need to have a group discussion and figure out what they can do and they will bring the information back to the Board Directors. Fetterhoff said this item could be discussed at a meeting the next day, Thursday, February 3.

By Cheryl Dowden, February 6, 2022

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