



**LAKE CUSHMAN MAINTENANCE COMPANY**  
*Homeowners Association for The Lake Cushman Development*  
3740 N Lake Cushman Road, Hoodspport, WA 98548-9711  
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## IRS Revenue Ruling 70-604 Annual Vote

January 31, 2026

Dear Member,

Lake Cushman Maintenance Company (LCMC) is conducting a new vote on IRS Revenue Ruling 70-604. Because this is a required annual procedure and the previous vote did not meet quorum in one district, we are restarting the vote to ensure full compliance with the LCMC Bylaws and IRS guidelines.

### Why You Are Receiving a New Ballot

The 70-604 vote was originally mailed together with the annual budget, which must be counted by a fixed deadline. Because of that deadline, the 70-604 vote could not be extended when one district failed to reach quorum. As a result, the vote was not valid and must be conducted again from the beginning. **This new vote is separate from the budget and can be completed independently.**

### Why This Vote Is Required Each Year

IRS Revenue Ruling 70-604 allows Members to decide how any excess member income should be treated for tax purposes. Approving this resolution each year helps the Association avoid unnecessary tax liability and ensures compliance with IRS rules.

This vote does not change assessments or indicate that we expect a surplus. It simply preserves the Association's ability to apply any excess to the following year's assessments rather than incur unnecessary taxes.

### Why You Are Voting for Both FY 2025 and FY 2026

- LCMC already knows that Fiscal Year 2025 ended with excess member income. The IRS allows Members to vote on how that excess should be treated before the tax return is filed, which is why this vote is being held now. Otherwise, excess revenue is taxed at a rate of 21%.
- For Fiscal Year 2026, we do not yet know whether there will be excess income. Voting now ensures that, if a surplus does occur, the Association can use the same tax-efficient treatment without needing to conduct another vote later.

Approving both years simply ensures that LCMC can apply any excess income to the following year's assessments, if needed.

**Please return your ballot by March 31, 2026.**

***\*If not enough ballots are received by this date to meet our bylaws quorum requirement of 200 ballots per district, the deadline will be extended up to 11 months.***

Sincerely,

Lake Cushman Maintenance Company Board of Directors

## LCMC Q&A: IRS Revenue Ruling 70-604

### Q1: Why haven't we voted on this before?

LCMC has not previously held a Member vote on IRS Revenue Ruling 70-604 because past Boards handled year-end financial procedures without formally submitting this specific IRS resolution to the membership. As part of improving financial practices and ensuring full compliance with IRS guidance and the LCMC Bylaws, the Board is now conducting this vote annually. Many large associations follow this same practice to protect their tax position and ensure Members decide how any excess member income should be treated.

### Q2: Why don't we get a refund when we have excess revenue?

Refunding excess revenue may sound simple, but for a large association like LCMC - with more than 3,100 lots - it is extremely difficult, costly, and often unfair to Members.

#### Why refunds are impractical in large HOAs

- **High administrative cost:** Processing thousands of refunds often costs more than the refund amount itself.
- **Ownership changes:** Lots frequently change hands, making it unclear whether the current or previous owner should receive the refund.
- **Different payment schedules:** Members pay assessments at different times, making individual refund calculations complex and time-consuming.
- **Very small refund amounts:** When divided among all lots, refunds are often only a few dollars. Because of these challenges, most large HOAs - including LCMC - use IRS Revenue Ruling 70-604 to apply any excess income to the following year's assessments. This method is fair, cost-effective, and IRS-compliant.

### Q3: Are there any disadvantages to not voting for this?

Yes. If Members do not approve the 70-604 resolution, the Association may face several disadvantages:

- **Possible tax liability:** Without Member approval, excess income may be treated as taxable income to the Association.
- **Reduced flexibility:** The IRS requires a Member vote to allow excess income to be applied to the following year's assessments. Without approval, LCMC has fewer options.
- **Higher costs:** If LCMC must pay taxes on excess income, those funds come from the operating budget, reducing money available for maintenance, services, and reserves.
- **Increased administrative burden:** Without the 70-604 resolution, the Association may need to pursue more complex and costly accounting strategies.

Approving the resolution is a simple, IRS-approved way to protect the Association's finances without increasing assessments.

# **NOTICE OF BALLOTING**

*on*

## **IRS REVENUE RULING 70-604 OF THE LAKE CUSHMAN MAINTENANCE COMPANY**

You are hereby **notified**:

1. The Lake Cushman Maintenance Company (“LCMC”) seeks Lessees’<sup>1</sup> approval of the election of IRS Revenue Ruling 70-604. LCMC’s election of the Revenue Ruling will be deemed approved if votes cast satisfy the applicable quorum requirement (200 ballots returned from each District) and the Revenue Ruling election receives the votes needed to reach the **Approval Threshold** on the balloting **Deadline**.

“**Approval Threshold**” here means no less than a simple majority (50% plus 1) of valid Written Ballots cast by members vote in favor of the Revenue Ruling election.

“**Deadline**” here means the Written Ballot return date set out below or, if the return date is extended in a subsequent Notice, that later return date.

2. That information, if any, from a member to other members about the Revenue Ruling election must be mailed or emailed by **4:30 p.m., March 15th, 2026**.<sup>2</sup>

3. That your Written Ballot must be completed and delivered to the Association (returned as instructed below) by **4:30 p.m., March 31st, 2026**.

### **INSTRUCTIONS**

Please vote using the Written Ballot that accompanies this Notice and return the completed Written Ballot to the Association by following the steps listed on the Written Ballot. Thank you!

### **Lake Cushman Maintenance Company Secret Ballot – IRS Revenue Ruling 70-604**

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<sup>1</sup> “Lessee” as defined in the Association’s Bylaws, means a Lessee of property in Lake Cushman and a voting “member” of our Association (to be distinguished from a tenant who rents a residence from a Lessee). The terms “Lessee” and “member” are used interchangeably herein.

<sup>2</sup> The mail-in balloting process used here complies with our Bylaws and is allowed under relatively new laws which require that the Notice contain specific statements, including a statement of the “time, date, and manner” by which a member wishing to distribute information about the matter proposed for voting may do so. This particular part of the Notice serves a specific purpose: It alerts a member who might want to distribute additional information to other members that they need to get it distributed soon enough for other members to consider it when deciding how to vote. And it also serves to alert all members of when they might expect to receive additional information, should someone wish to distribute additional information. *For convenience of members, the Association will receive and distribute such information by posting it on the LCMC website.* If you would like information distributed to other members regarding the Revenue Ruling vote, please send it via email to [LCMC@LakeCushmanMC.Com](mailto:LCMC@LakeCushmanMC.Com) or mail to Lake Cushman Maintenance Company, 3740 N. Lake Cushman Road, Hoodspport, WA 98548 by the deadline.

Instructions:

- Please mark your selections below. Do not write your name, lot number, or any identifying information on this ballot.
- Place the completed ballot inside the inner secrecy envelope, then place that envelope inside the outer return envelope.

**WRITTEN BALLOT**

I hereby cast the vote of my lot as follows (mark the box under your choice – Approve or Reject):

**Resolution 1 – Fiscal Year 2025 Revenue Ruling Election for Excess Member Income**

	APPROVE	REJECT
Apply any excess member income from FY 2025 to the following year's assessments.	<input type="checkbox"/>	<input type="checkbox"/>

**Resolution 2 – Fiscal Year 2026 Revenue Ruling Election for Excess Member Income**

	APPROVE	REJECT
Apply any excess member income from FY 2026 to the following year's assessments.	<input type="checkbox"/>	<input type="checkbox"/>

Do not sign or add identifying information to this ballot.

You may also submit your ballot via email to: [LCMC@LakeCushmanMC.com](mailto:LCMC@LakeCushmanMC.com)

Regarding email submission: **\*Submitting via email waives your right to a secret ballot.\*** LCMC must be able to verify the Ballot is cast by the member having the right to do so. A member who returns their ballot by email must provide their name and Lot address, certifies that they are a Lessee of the Lot identified in the email, and understands that their ballot will be “dated” as of the date of the email and may not retain its secrecy.

**Please return your ballot by March 31<sup>st</sup>.** Ballots will not be opened until 200 ballots are received per district.