Four Kinds of Legal Entities Communities Commonly Use to Own Property

Homeowners Association, Condo Association	Housing Co-op, Land Co-op	L.L.C. (Limited Liability Company)	501©3 Nonproft
Created for housing developments, so people can own their own individual homes or apartments and share ownership in the common property. Most cohousing communities⊗ use this.	People own shares in the housing co-op and have a lease to their housing unit or apartment. (Or, people own shares in the land co-op and have a lease to their lot & house.)	Created as an alternative to "S" Corporations for small businesses - it's simpler and easier to use than a corporation.	The tax-deductible nonprofit.
Pros: (1) Limited liability protection. (2) Money collected for buying, developing, building, repairing, maintaining, or managing property is not taxable. To qualify for this tax break, the community must spend 90% of its money on these things, and collect 60% of its money for these things.	**Pros:** (1) Limited liability protection. (2) You can choose your members. (3) The IRS doesn't consider the fee a new member pays when they buy in as taxable "profit" as with an LLC. (4) If you need a bank loan, you might get one from the National Co-op Bank.	**Pros:** (1) Limited liability protection. (2) Easy to set up. (3) Unlike a corporation, has special tax advantages (members are not taxed twice). (This benefit is not usually relevant for communities, though, who wouldn't have shareholders and dividends.)	**Pros:** (1) Limited liability protection. (2) Can receive tax-deductible donations. (3) Exempt from county property taxes and federal income tax. (3) Can be used to create a Land Trust or Community Land Trust.
Cons: If you don't get the percentages right, the IRS taxes you like a corporation. i.e. Earthaven paid $9,000 in taxes one year. ⊗ Cohousing residents can't choose their members because they sell housing units on the open market, not because they own their shared property as a Homeowners Assoc.	**Cons:** Regular banks often don't loan to housing co-ops, and the National Co-op Bank (which lately isn't loaning much money to housing co-ops anyway) chargers higher-than-normal interest on loans.	**Cons:** (1) The IRS considers the money a new member pays when they buy into the community as taxable "profit." So a new member's joining fee is taxed!	**Cons:** (1) Elaborate & time-consuming to set up and maintain. (2) If the community disbands the founders don't get their property purchase and development money back, but must donate the organization's property and assets to another 501(c)3 nonprofit. (3) Some people (those who want equity, families with children), tend to not join, seeking instead a community where they can have equity. (4) The community tends to attract many young people having adventures and uninterested in equity. So the community can have higher than normal turnover as its young people move on.