

# The Villages®

## Community Development Districts

### IRS UPDATE

**FROM:** Janet Y. Tutt, District Manager

**DATE:** November 19, 2015

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The attorneys for the Village Center Community Development District (VCCDD) and the Sumter Landing Community Development District (SLCDD) (Districts) received a call from the Internal Revenue Service (IRS), Tax Exempt Bond Division, regarding the IRS's examination of the Districts' previously issued Recreation Amenity Bonds.

The IRS offered to close the examination of the Bonds, if the Districts were to pay a settlement amount of \$1.5 million dollars. (The fiscal impact on each District under such settlement proposal would be an approximate split of 2/3 from VCCDD and 1/3 from SLCDD)

After discussing the offer at their November meetings, the Districts' Boards have unanimously approved offering the IRS a total of \$300,000. The \$300,000 represents an estimate of legal fees anticipated if the IRS rejects the Districts' offer and makes a proposed determination of taxability with respect to the interest on the Bonds and the District appeals the IRS proposed adverse determination to the IRS Office of Appeals.

The VCCDD, in March, filed its response to the IRS Form 5701-TEV Proposed Issue #2. The Districts are firm in their belief that the IRS is incorrect in its analysis of the Districts' bonds pertaining to this Issue.

As such, the Districts are not inclined, without a further clarifying interpretation as to the IRS's analysis and in light of two different law firms' opinions of tax exempt status, to pay a settlement in the amount of \$1.5 million dollars. Based on the strength of the Districts' position, the Boards of Supervisors are very reluctant to agree to any settlement with the IRS. However, the Boards of Supervisors of the Districts understand the cost of legal representation and the protracted time and uncertainties to resolve the issue and, as a result, have agreed to offer the IRS the \$300,000.

The Districts' attorneys have communicated the Districts' position. There is no time frame requirement for the IRS to respond.