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## IRS Ends Eight-Year Audit of Florida's Villages Without Penalty.

The U.S. Internal Revenue Service has closed an eight-year exam of about $300 million of tax-exempt bonds issued for The Villages, one of the world's largest retirement communities, without imposing a penalty, according to a filing by the development districts that issued the debt.

The Village Center Community Development District and the Sumter Landing Community Development District, located about 60 miles (97 kilometers) northwest of Orlando, said the IRS notified them on July 14.

"We were steadfast in maintaining that the districts had followed the law and that there was no factual basis for the IRS examination," wrote district manager Janet Tutt in a July 18 memo listed Wednesday on the Municipal Securities Rulemaking Board's disclosure website. "To have this examination finally closed without penalty is a tremendous victory for our community and vindication of our supervisors and district staff who do a tremendous job serving our residents."

The districts, created by the late billionaire developer H. Gary Morse, issued the bonds to purchase golf courses, recreational centers and other amenities that Morse build. The IRS said that the bonds shouldn't have received tax-exempt status because the boards were appointed by Morse and the majority of the members worked for him. The IRS also maintained the bonds were issued for private, not public, purposes.

"We have concluded that closing this examination without further IRS action supports sound tax administration," wrote Allyson Belsome, an IRS field operations manager for tax-exempt bonds in a July 11 letter to the development districts.

"Federal law prohibits the IRS from discussing specific taxpayers," said IRS spokesman Dean Patterson.

During the course of the audits the district refinanced the bonds in 2014 with taxable bonds to take advantage of lower interest rates.

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by Martin Z Braun

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