



# Illinois Department of Financial and Professional Regulation

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## Division of Real Estate

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## What Are The Benefits Of Incorporation For Associations?

While Illinois law does not require associations to be incorporated as a non-profit corporation, there are multiple reasons why such associations should consider incorporating as not-for-profit corporations.

Individuals serving on the board of a condominium or common interest community association incorporated under the provisions of the General Not-for-Profit Corporation Act of 1986 (“Not-for-Profit Act”) benefit from those provisions of the Not-for-Profit Act which limit their liability for damages resulting from the exercise of judgment or discretion in connection with their duties or responsibilities other than in instances involving willful or wanton conduct. Moreover, incorporating an association may also help facilitate the association’s borrowing funds from banking institutions, as most lenders prefer to see the separate legal entity created under the not-for-profit law when lending money to an association.

### Condominium Associations

While Section 18.3 of the Illinois Condominium Property Act (“Act”) states that condominium associations shall have those powers and responsibilities specified in the General Not-for-Profit Corporation Act of 1986 (“Not-for-Profit Act”) "whether or not it is incorporated", an additional layer of liability protection extends to directors and officers of an incorporated association.

### Common Interest Community Associations

The Common Interest Community Association Act does contain not a “grant of powers” provision similar to that set forth within Section 18.3 of the Condominium Property Act.

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