

# Publications

September 9, 2024 • Updates

## The Corporate Transparency Act: What Homes Associations and Neighborhood Associations Need to Know

*A new federal law requires homes associations and neighborhood associations to disclose information about persons with control over the association.*

**Why this matters for you.** From Wall Street to Main Street to your street, the vast majority of private and many nonprofit entities, have been swept into Corporate Transparency Act (CTA) compliance. If you are an officer or board member of a homes association or neighborhood association, you may have new reporting obligations. Not only is initial reporting important, but so is ongoing compliance.

**What is this law about?** If you have not heard of the CTA, you are not alone. Many association members, officers and their professional advisors are taken aback upon learning of the CTA's existence and scope. At its core, the CTA requires reporting of personal direct and indirect beneficial ownership and control information pertaining to incorporated associations operating in the U.S. These include homes associations and neighborhood associations. The personal identifying information (PII) includes a person's name, birthdate, home address and an image of his or her passport or driver's license. The financial crimes enforcement arm of the U.S. Department of Treasury (FinCEN) has built out a Beneficial Ownership Secure System (BOSS) to receive, store and manage this vast influx of information. FinCEN estimates that over 37 million business entities (which include homes associations and neighborhood associations) will be required to report by the end of 2024. This law aims to prevent money laundering, illicit financial activities, corrupt practices and terrorist financing, at the expense of many legitimate businesses and associations (and their owners and control persons) being swept up by these expansive new reporting requirements.

**Who must report?** PII must be reported for individuals owning, directly or indirectly, 25% or more of any class or category of economic ownership in an entity, or who have or may assert, directly or indirectly, "substantial control" over an entity. With respect to most homes associations and neighborhood associations, this would include certain of their officers and board members.

**What ongoing reporting obligation exists?** Once the initial report is filed, the disclosed

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- Philip G. Feigen

information must be updated within 30 days of any subsequent event that makes the previously reported information no longer currently accurate. Attribution of ownership and what constitutes substantial control will vary from entity to entity and may require analysis and possibly professional advice.

**Exempt Entities.** Some categories of business entities are exempted from CTA reporting. These generally include regulated business entities, such as publicly traded companies, insurance businesses, banking businesses, 501(c) federally tax-exempt non-profit entities, and quasi-governmental organizations, among others. **Homes associations and neighborhood associations that have received a 501(c) federal tax exemption designation from the IRS will be exempt from the CTA's reporting requirements,** however, most other homes associations and neighborhood associations will not be exempt, and reporting will be required.

**What will compliance look like?** Associations will need to compile, maintain and update their reported PII to meet the CTA's compliance requirements. Any change to or correction of previously reported information is required within 30 days of the event - not when the association becomes aware of the event. All newly created associations, beginning January 1, 2024, through December 31, 2024, are required to file their initial CTA report within 90 calendar days of creation. Beginning January 1, 2025, and going forward, any newly created association will be required to file its initial CTA report within 30 calendar days of creation. Reporting company associations that were in existence before January 1, 2024, will have until January 1, 2025, to make their initial CTA report filing.

**What happens if you don't comply?** Failure to timely and properly comply with the CTA may result in civil fines for the association (currently \$591 per day, up to a maximum of \$11,820).

**Who may access FinCEN's Beneficial Ownership Secure System (BOSS)?**

Information in the BOSS will be accessible to law enforcement at the federal, state and local levels. Financial institutions may also have access, upon their customer's consent. Importantly, this information is not available to the general public and is not accessible through Freedom of Information Act (FOIA) requests.

**Conclusion.** The compliance requirements under the CTA are in effect, and you have only the waning remainder of this year to make your required filing. Now is the time to discuss the CTA with your legal team for guidance.