11.5.2024

JANUARY 1, 2025 DEADLINE FOR CORPORATE TRANSPARENCY ACT COMPLIANCE

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This is a reminder that **no later than January 1, 2025**, pursuant to the U.S. Corporate Transparency Act (CTA), most corporations and other legal entities, including most homeowners' associations (HOA), condominium associations, and co-op associations, are required to report Beneficial Ownership Information to the U.S. Financial Crimes Enforcement Network, a branch of the U.S. Department of the Treasury. Thereafter, community associations and other legal entities subject to the CTA must update their Beneficial Ownership Information within 30 days of any change in Beneficial Ownership. Failure to comply may result in penalties imposed up to $5,000.00 per violation. FinCen accepts Beneficial Ownership Information online at www.FinCEn.gov.

The Beneficial Ownership Information report must include information relating to any individual who is a "Beneficial Owner" of the entity filing the report. Beneficial Owners are defined under the CTA as anyone who "exercises substantial control over the entity" or "owns or controls not less than 25 percent of the ownership interests of the entity." FinCen guidance updated through September 10, 2024, relating to who is a "Beneficial Owner" in the community association context provides as follows (note: the guidance references HOA in the specific example, but is generally applicable to other community associations):

> **D.13. Who is the beneficial owner of an HOA?**
> An HOA that meets the reporting company definition and does not qualify for any exemptions must report its beneficial owner(s). A beneficial owner is any individual who, directly or indirectly, exercises substantial control over a reporting company, or owns or controls at least 25 percent of the ownership interests of a reporting company.
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> There may be instances in which no individuals own or control at least 25 percent of the ownership interests of an HOA that is a reporting company. However, FinCEN expects that at least one individual exercises substantial control over each reporting company. Individuals who meet one of the following criteria are considered to exercise substantial control over the HOA:
> - the individual is a senior officer;
> - the individual has authority to appoint or remove certain officers or a majority of directors of the HOA;
> - the individual is an important decision-maker; or
> - the individual has any other form of substantial control over the HOA.

Please let us know if you would like our assistance in filing your association's Beneficial Ownership Information with FinCen before the January 1, 2025 deadline.

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