

THE CORPORATE TRANSPARENCY ACT & COMMUNITY ASSOCIATIONS

The Corporate Transparency Act (“CTA”) went into effect January 1, 2024 intending to crack down on illegal activity by businesses, which includes community associations. Under the law, companies are required to disclose details on “beneficial owners,” defined as those who exercise substantial control over the reporting organization or who own at least 25% of the organization, with a few statutory exceptions.¹

Under the CTA, the following information about beneficial owners is to be provided by January 1, 2025 (if the company was established before January 1, 2024):

- Names
- Birthdays
- Addresses
- Documents used for identification purposes²

The Community Associations Institute (“CAI”) has expressed its concern over the CTA and states that its application to associations may be unintentional but that without an exception for associations holding them exempt from compliance, it may be seen that associations are subject to its provisions. In response, the CAI took legal action to exempt associations from compliance. In addition, one court ruled the CTA unconstitutional.³

Though the impact of the CTA on associations is still uncertain, as noncompliance may result in fines of up to \$500 per day, criminal fines of up to \$10K and possible imprisonment, it is recommended that guidance by an attorney be sought.⁴

ADDITIONAL RESOURCES:

¹ <https://www.caionline.org/Advocacy/Priorities/CTA/Pages/default.aspx>

² Id

³ <https://www.uschamber.com/co/start/strategy/small-business-corporate-transparency-act>

⁴ Id

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