



Corporate Transparency Act and Homeowner's Associations Fact Sheet

Prepared by the Office of Law and Community Engagement & Constituent Services

The Corporate Transparency Act (CTA) was enacted by Congress in 2021 and became effective on January 1, 2024. The Act requires most corporations to report annually to the Financial Crimes Enforcement Network (FCEN) regarding the beneficial ownership of the corporation (meaning, persons who actually own or control the corporation).

REPORTING REQUIREMENTS

Incorporated HOAs are generally subject to annual reporting under the CTA. If an HOA is not exempt, the reporting may be done through the [FCEN](#). An example of the report form can be [found here](#). As noted, the reporting requirements require that all beneficial owners of the corporation be identified.

Filing Deadline

Companies existing before January 1, 2024, must file their initial beneficial ownership information report by January 1, 2025. Companies created or registered between January 1, 2024, and December 31, 2024, must file their initial report within 90 days of receiving actual or public notice of their creation or registration. For companies created or registered on or after January 1, 2025, the initial report must be filed within 30 days of receiving actual or public notice of their creation or registration.

Penalties

A person who willfully violates the beneficial ownership information (BOI) reporting requirements may face civil penalties of up to \$500 per day for each day the violation continues, adjusted annually for inflation (currently \$591). Additionally, willful violations can result in criminal penalties, including up to two years of imprisonment and a fine of up to \$10,000. Violations include failing to file a BOI report, filing false information, or failing to correct or update previously reported information.

EXEMPTIONS

There are a number of exemptions from the reporting requirement. Entities that are tax-exempt under §501(c) of the Internal Revenue Code are exempt from the CTA reporting requirement, so any HOA that has a § 501(c) tax exemption is exempt from the reporting requirement. (31 U.S.C. §5336(a)(11)(B)(xix)). That tax-exempt status should be verified with the HOA's financial advisor.

DEFINITION OF BENEFICIAL OWNER

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.

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 the 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.

ADDITIONAL INFORMATION

It is highly recommended that you refer to the [FCEN website](#), which is packed with information and easy to navigate.

*This fact sheet is for informational purposes only and does not constitute legal advice.
Seek appropriate legal advice on issues discussed.*