

# CORPORATE TRANSPARENCY ACT

## BOARD OF DIRECTORS INFORMATIONAL LETTER



Your trusted resource for filing BOI Reports for HOA's, CIDs, and other Common Interest Developments.

Board of Directors,

There is a new Federal regulation that will require you, as a Board Member, to register with the Financial Crimes Enforcement Network, a bureau of the U.S. Department of the Treasury. The following is information regarding this new requirement.

### WHAT IS THE CORPORATE TRANSPARENCY ACT?

The Corporate Transparency Act was enacted in 2021 as an anti-money laundering effort to curb entities, both foreign and domestic, and the individuals controlling those entities from violating U.S. laws specifically around illegal money movements. This Act created new reporting requirements for certain types of corporate entities – including HOAs. The agency that will enforce this is the Financial Crimes Enforcement Network (FinCEN).

The CTA affects many entities, including Homeowners Associations (HOAs). Even though HOAs are usually non-profit, they must comply with the reporting requirements if they are incorporated or structured as LLCs.

### WHAT DO WE HAVE TO DO?

The Association is required to file a Beneficial Owner Information Report with FinCEN. Beneficial owners are:

- **Board Members:** All board members of the HOA.
- **Owners with Significant Ownership:** Any owner who owns 25% or more of the units within the HOA.

### WHEN DO WE NEED TO DO THIS?

Existing Associations (established PRIOR TO January 1, 2024), are required to file by January 1, 2025. New Associations (created after January 1, 2024) must file within 90 days of registration.

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### WHAT INFORMATION DO WE NEED TO PROVIDE?

- Legal name of Association.
  - Physical Address of Association
  - Tax ID
- Board Members (or individuals with substantial control, 25% of entity),
  - Legal Name
  - Birthdate
  - Home Address, and
  - Identifying numbers from a driver's license, state ID, or passport.
  - Photo of Identification (driver's license, state ID, or passport)

### WHAT HAPPENS IF WE DON'T COMPLY?

Penalties for non-compliance with the Corporate Transparency Act (CTA) include:

- Fines: Up to \$591 per day for each day the violation continues, with a maximum penalty of \$10,000.
- Criminal Penalties: Possible imprisonment for up to 2 years.
- Civil Penalties: Additional fines and penalties as determined by the enforcement authorities.

This is a new regulation and nobody is quite sure of how non-compliance will be handled. However, by willingly not complying you will potentially be exposing yourself, the Board of Directors, and Association to significant civil and federal penalties. If you plan on not complying it is highly suggested that you immediately contact the HOA attorney to discuss the repercussions.

### HOW OFTEN DO WE HAVE TO UPDATE?

Board Member Information needs to be updated within **30 days** of any changes to the owners or their details. Including the following:

- Change in Board Members
- Change in Residential Addresses
- Legal Name Change
- Changes on previously submitted identification: name, address, or unique identifying number

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### HOW DO WE SUBMIT?

There are a couple of different options. An Association can self-submit and take on the responsibility themselves, the management company can submit, or use a third-party submission service like CTA Review.

### CTA REVIEW FEE SCHEDULE

Initial BOI Filing with FinCEN, unlimited updates for 1 year.....\$295

*Note: There is no cost to file directly with FinCEN. The fee mentioned above pertains specifically to the CTA Review Inc. filing service.*

### THIS INFORMATION HAS BEEN PREPARED BY CTA REVIEW

CTA Review Inc. specializes in helping homeowners associations (HOAs) comply with the Corporate Transparency Act (CTA). They provide services such as:

- Initial Filing and Compliance: Setting up a property profile, submitting the initial BOI report, with unlimited updates for one year.
- Annual Compliance Plans: Ongoing updates and monitoring to ensure continuous compliance for existing clients.
- Data Management and Monitoring: Assistance with data gathering, customized reporting, and maintaining compliance over time.

CTA Review leverages over 20 years of experience in the HOA industry to offer tailored solutions specifically for HOAs, ensuring secure and accurate handling of sensitive information.

If you have any additional questions please feel free to contact us directly.

Sincerely,  
Natalie Stewart  
President  
714-276-1711  
natalie@ctareview.com

Scan here to get started



*CTA Review is an independently owned and operated corporation. It is not an agency of the United States Government and is not contracted by FinCEN, or their affiliates.*

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## 3 STEP PROCESS



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To file a Beneficial Ownership Information (BOI) report with CTA Review Inc., follow these steps:

### STEP 1 - CREATE A COMMUNITY PROFILE:

- Fill out the form on the CTA Review website to start your community profile.
- Provide details Including:
  - the legal name of the community association
  - tax ID
  - physical address within the community
  - number of Board Members
  - month of annual meeting
- Input email addresses for all Board Members and any other Beneficial Owners. Within 2 business days these contacts will receive an email to register.

### STEP 2 - BOARD MEMBER REGISTRATION:

- Click on the "Link" provided in the email sent to each individual board member or other Beneficial Owner.
- Upload Beneficial Ownership Information.
- Information requested includes:
  - Legal name
  - Date of birth
  - Residential Address
  - Copy/Photo of State Issued Identification: Driver's License, Passport, other ID issued by a state, local government, or tribe

### STEP 3 - CTA REVIEW:

- File the Beneficial Ownership Information Report (BOIR) on behalf of the Association directly to FinCEN.
- Create a custom "Filing Certificate" for the HOA, which will not contain any Personally Identifiable Information.
- Monitor the submitted information and send reminders to management and/or Beneficial Owners to provide updates as necessary.
- Archive and securely store all information as needed for future updates.

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## FAQS



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**Q: Is a Community Manager considered a BOI?**

A: Generally not. Community Managers, Attorneys, CPAs, and other professionals serving in advisory roles are typically not classified as BOIs. However, if your contract grants you significant control, it's advisable to have it legally reviewed.

**Q: How will non-compliance be penalized?**

A: As of today, the specifics of how penalties will be issued remain unclear.

**Q: Who bears responsibility for penalties: the HOA or the Board?**

A: Currently uncertain. Since an entity cannot serve prison time, individuals deemed to have "willfully" caused noncompliance may be held accountable. However, it's also possible that fines could be levied against the entity itself.

**Q What if Board Members withhold information?**

A: The prevailing opinion suggests that they will be putting the community in a state of non-compliance, and that may disqualify them from serving on the Board.

**Q: Can we submit a partial report?**

A: Submitting a partial report may be construed as "willful" noncompliance.

**Q: When should filing occur?**

A: Associations formed before January 1, 2024, need to file by January 1, 2025. There will likely be a rush to file at the end of the year. Based on our experience, gathering and submitting all Board Member registration information can take some time. CTA Review suggests starting the conversation now to ensure your community has enough time to file before the deadline.

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**Q: Does this apply to Condominiums? PUDs? Single Family Homes?**

A: Yes, this applies to all incorporated entities that don't qualify for the large company exemption. Including Homeowner's Associations regardless of unit type.

**Q: What is the "large company exemption"?**

A: To qualify for the large company exemption your Association must have more than 20 full-time employees and gross receipts or sales of more than \$5 Million.

**Q: If a Board Member doesn't want to provide the information can they still serve on the Board?**

A. You will need to discuss this with your Association legal counsel, however if a Board Member qualifies as a BOI under the guidelines set forth in the CTA and does not comply, the Association will be in jeopardy of receiving penalties for willful non-compliance.

**Q: Wasn't there a lawsuit that has declared the CTA Unconstitutional? Do we still have to file?**

A: Yes, in the case of National Small Business United v. Yellen, the plaintiffs argued that the CTA is unconstitutional. The court agreed, stopping FinCEN from enforcing the CTA against these plaintiffs. The government has appealed the decision. Meanwhile, other lawsuits and new legislation are also challenging the CTA.

The CTA remains in effect for all entities with the exception of the plaintiffs in the above mentioned case.

**Q: I don't think this applies to our Association. We are a small community and have nothing to do with financial crimes or money laundering etc. We have an audit prepared each year and pay taxes.**

A: If your Association is incorporated with the Secretary of State or other similar entity this applies to your community and you must file a BOI Report with FinCEN.

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## GLOSSARY OF ACRONYMS AND TERMS



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## GLOSSARY OF ACRONYMS

**CTA:** Corporate Transparency Act

**BO:** Beneficial Owner

**BOI:** Beneficial Owner Information

**BOIR:** Beneficial Owner Information Report

**Company Applicant:** The individual or individuals who created/registered the new entity. Related to "new entities" only, formed AFTER January 1, 2024

**Exempt Entities:** Entities that are not required to file under the CTA, such as certain large operating companies, regulated entities, and inactive entities

**FinCEN:** Financial Crimes and Enforcement Network

**Filing Deadline:** The specific date by which BOI must be submitted to FinCEN

**Registry:** The database where beneficial ownership information is stored and maintained by FinCEN

**Reporting Company:** Entity that the BOI report is being filed on behalf of

**Beneficial Owner:** Individuals who meet the following standard:

- Exercises substantial control over a reporting company, or
- Owns or controls at least 25 percent of a reporting company's ownership interests.

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### BENEFICIAL OWNER INFORMATION

Below is an excerpt from the Corporate Transparency Act (CTA) that explains how an Association can determine who a Beneficial Owner (BO) is. A BO must exercise substantial control over the entity. The definition of substantial control is provided below, along with relevant information to help you navigate the process. Relevant information has been underlined.

**Substantial Control:** An individual can exercise substantial control over a reporting company in four different ways:

- The individual is a senior officer
- The individual has authority to appoint or remove certain officers or a majority of directors (or similar body) of the reporting company.
- The individual is an important decision-maker for the reporting company.
- The individual has any other form of substantial control over the reporting company.

**Important Decisions:**

- Business, such as:
  - Nature, scope, and attributes of the business
  - The selection or termination of business lines or ventures, or geographic focus
  - The entry into or termination, or the fulfilment or non-fulfillment, of significant contracts
- Finances, such as:
  - Sale, lease, mortgage, or other transfer of any principal assets
  - Major expenditures or investments, issuances of any equity, incurrence of any significant debt, or approval of the operating budget
  - Compensation schemes and incentive programs for senior officers
- Structure, such as:
  - Reorganization, dissolution, or merger
  - Amendments of any substantial governance documents of the reporting company, including the articles of incorporation or similar formation documents, bylaws, and significant policies or procedures