

Corporate Transparency Act Challenged by Community Associations

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The Community Associations Institute (“CAI”) has filed a lawsuit to challenge the applicability and constitutionality of the Corporate Transparency Act (“CTA”). The CTA adopted to address money laundering and prevent companies from avoiding taxes through shell companies or other confusing multilayered ownership structures.

To accomplish that, the CTA requires certain legal entities registered with a Secretary of State to register their beneficial owners with the Financial Crimes Enforcement Network (“FinCEN”), including information to identify the individuals that directly or indirectly own *or control* a company. Although the federal government has carved out certain exceptions, incorporated homeowners and condominium associations were not excluded. FinCEN has not provided or shown any data or support for community associations engaging in such criminal acts.

While this development could impact reporting requirements under the CTA, the mere filing of a lawsuit challenging the CTA does not automatically delay CTA deadlines and requirements. Each and every community association should consult with its attorney to best understand this development, its implications for your community, and continue to prepare to comply.