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October 30, 2024

Dear Board of Directors or Management:

Re: Corporate Transparency Act (“**CTA**”) Filing Requirements

In 2021 Congress passed the Corporate Transparency Act (“**CTA**”). The CTA requires all corporations as of January 1, 2025, to report Beneficial Ownership Information (“**BOI**”) which is identifying information about individuals who directly or indirectly own or control a company in the United States. Regarding Common Interest Communities, the BOI refers to the Board of Directors.

Required Action. All companies, including nonprofit organizations, in the United States must comply with the CTA BOI reporting requirements as of January 1, 2025. There is an online process to meet the requirements which includes personal identification information being supplied for Board Members. This will need to be supplemented each time there is a change of any Member of a Board of Directors. There are significant penalties for failure to report.

The Community Association Institute (“**CAI**”) was unable to procure an injunction to stay the effect of the CTA via legal proceedings in the US District Court for the Eastern District of Virginia. Consequently, all communities need to be prepared to file their BOI by January 1, 2025. **Please see attached CAI informational letter regarding the lawsuit and CTA requirements.**

Compliance.

In accordance with the CTA, Associations must disclose information about the entity itself and board members through an electronic filing system available on FINCen’s website. Information required to be reported about the entity (association) itself includes:

1. The association’s full legal name
2. Any “trading as” (t/a) or “doing business as” (d/b/a) name
3. Current street address of its principal place of business
4. State of formation/registration
5. Federal taxpayer identification number

In addition, for each individual beneficial owner (board member), Associations must file and disclose the following personal identifying information:

6. Full legal name of each board member
7. Date of birth of each board member
8. Each board member's residential street address
9. Driver's license, passport, or state-issued ID number
10. A scanned copy of the corresponding driver's license, passport, or state-issued ID

Alternatively, Associations and/or individual board members can obtain a unique FinCEN identifier and file reports using that number in place of the required personal identifying information. FinCEN identifiers can be requested online through the FinCEN website.

After the initial report is submitted, any changes to the information above for the entity or any individual board member must be updated with FinCEN within 30 days of the change becoming effective.

Community Associations holding an active 501(c)(4) IRS tax exemption are already exempt from filing. In addition, Community Associations with more than \$5 million in annual revenue and 20 or more employees qualify under the current exemptions and has an operating presence at a physical office within the United States. Most Community Associations, if incorporated and not meeting the exemptions, are required to comply with the CTA.

As of now, the CTA applies to entities created by filing a document with the secretary of state or similar office of a jurisdiction of the United States, U.S. corporations, U.S. LLCs, and other similar entities, including most community associations. The CTA mandates all covered entities, including nonprofit organizations such as community associations, disclose their beneficial owners to the Department of Treasury's Financial Crimes Enforcement Network.

Penalties:

Existing Associations have until January 1, 2025, to file initial reports. Any person who violates the reporting requirements of the act shall be liable to the United States of potential civil penalties of \$500 per day and criminal penalties of up to \$10,000 and up to 24 months in prison for beneficial owners.

Process:

Companies may complete the Beneficial Ownership Information Report ("**BOIR**") electronically by accessing the BOI E-Filing portal at <https://boiefiling.fincen.gov>. The portal permits a report company to choose one of the following filing methods to submit a BOIR:

1. Upload finalized PDF version of BOIR and submit online; or
2. Fill out web-based version of BOIR and submit online.

BOIRs cannot be mailed or faxed to FinCen. The person who submits a BOIR will need to provide their name and email address to FinCen. This person will receive confirmation of submission when a BOIR is accepted by FinCen. Guidelines on how to submit the BOIRs can be found on their website at <https://boifiling.fincen.gov> and select Help.

Our office can also assist with filing the BOIR. Our office will charge the following:

Initial filing flat fee of \$500.00

Filing to update any changes in beneficial owners flat fee of \$250.00

If you have any questions or require further assistance pertaining to CTA/FinCEN reporting requirements, please contact your attorney, Kerry Wallace, at 970-926-4447 or Kerry@goodmanwallace.com.

Very Truly Yours,

Kerry H. Wallace

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