

The Final Countdown: Major CTA Reporting Deadline Rapidly Approaching

Alert

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Barring any unforeseen changes, the Corporate Transparency Act's (CTA) major reporting deadline arrives on January 1, 2025. The CTA requires all existing reporting companies (those entities formed prior to January 1, 2024) to file their initial Beneficial Ownership Information (BOI) reports by January 1, 2025. Reporting companies formed at any time during 2024 must submit their initial BOI reports within 90 days of their formation. Beginning in 2025, all newly-formed reporting companies must submit their initial BOI reports within 30 days of formation.

There are currently nine ongoing federal court cases challenging the constitutionality of the CTA, including *NSBA v. Yellen*, which found the CTA unconstitutional as to the plaintiffs in the case on appeal in the 11th Circuit with oral arguments scheduled for this September. Given the timing and pace of progress of these cases, it is unlikely that constitutional questions surrounding the CTA will be definitely resolved before the upcoming reporting deadline. In fact, any eventual ruling from the 11th Circuit, or any other case, is very likely to be appealed to the U.S. Supreme Court, further delaying any final resolution of whether the CTA will remain the law of the land.

In addition to the aforementioned court cases, Congress continues to pursue a handful of legislative efforts to either amend or repeal the CTA entirely. The last bipartisan effort to delay the forthcoming existing company reporting deadline passed the House late last year, but was never taken up in the Senate. Given the current election cycle, it is unlikely that Congress will be able to secure enough votes to pass any meaningful changes to the CTA before the upcoming reporting deadline.

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Companies, and their beneficial owners, should view the January 1, 2025, existing reporting company deadline as the most likely outcome and take necessary actions now to satisfy their CTA-related reporting obligations.

The Financial Crimes Enforcement Network (FinCEN) of the U.S. Department of Treasury periodically releases updated frequently asked questions (FAQs) clarifying the scope of entities impacted by the CTA. Below are a few of the most relevant points for consideration as you evaluate when and how to effectuate your CTA related reports:

DISSOLVED ENTITIES

On September 10, 2024, FinCEN published updated FAQs, clarifying reporting obligations for entities dissolved in 2024. If an entity exists/existed for any period of time in 2024 (including as a merger subsidiary), and is not otherwise exempt, it must submit an initial BOI report in line with its relevant reporting deadline. The CTA requires that all BOI reports be duly authorized and report on the current ownership of a reporting company. Therefore, companies, and their beneficial owners, should plan to file any necessary CTA reports prior to merging or winding up, and eventual dissolution in order to satisfy existing reporting requirements. However, in the event a BOI report is filed after a reporting company has already dissolved it should reflect the beneficial ownership as of the time the entity was dissolved. In all other cases BOI reports should only reflect the current beneficial owners as of the time of the report.

HOMEOWNERS ASSOCIATIONS

On June 10, 2024, FinCEN published FAQs, clarifying that homeowners associations (HOAs) may be reporting companies under the CTA. If an HOA is formed through a filing with a secretary of state, it is presumptively a reporting company. If the HOA is not exempt under IRC 501(c)(3), it will not qualify for the non-profit exemption available under the CTA. Other common HOA-related tax provisions are insufficient to qualify for an exemption under the CTA. If an HOA is a non-exempt reporting company, it must report on all of its beneficial owners (those who own 25% or more, by vote or value, and those who exercise substantial control). HOAs typically have more diffuse ownership in line with the property ownership within the community to which the HOA corresponds. Therefore, the most likely beneficial owners for an HOA will be the HOA board members.

COMPLYING WITH THE CORPORATE TRANSPARENCY ACT

In order to more fully address these issues and other CTA-related concerns, Stinson is hosting a CTA webinar on October 1, 2024. This event will cover the basic contours of the CTA, applicability of exemptions, and common issues and best practices in navigating ongoing reporting requirements. [Register online](#) to attend this event.

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For more information on the Corporate Transparency Act, please contact [William Kearney](#), [Jill Radloff](#), [Zachary Taylor](#) or the Stinson LLP contact with whom you regularly work.

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