

The Corporate Transparency Act: What You Need to Know

The compliance deadline for the Corporate Transparency Act (CTA) is approaching quickly, making it crucial for condominiums and homeowner associations (HOAs) to understand their responsibilities under this federal law. Designed to promote financial transparency and combat crimes such as money laundering, tax evasion, and fraud, the CTA mandates that certain entities, including many community associations, report their ownership and management details to the U.S. Treasury's Financial Crimes Enforcement Network (FinCEN). While the original deadline was set for January 1, 2025, ongoing legal actions and court rulings have introduced delays and uncertainty, making it essential to stay informed about the latest updates.

For associations, compliance hinges on whether they meet the criteria defined by the CTA, which applies to most entities registered with state authorities. Any changes to the board of directors, officers, or ownership structure must be reported promptly within 30 days. The reporting process includes submitting specific details about "beneficial owners," such as full legal names, residential addresses, dates of birth, and unique identifying numbers from documents like passports or driver's licenses. While this information might seem invasive, it is similar to what is already maintained by state agencies like the DMV or Secretary of State offices. Organizations like the Community Associations Institute (CAI) continue to advocate for community associations, including filing their own suite of responses to protect and support on a federal level.

Why It Matters for Associations

Compliance with the CTA is mandatory, and failure to comply can result in civil fines of up to \$500 per day, criminal fines of up to \$10,000, and even imprisonment for up to two years. These penalties can strain associations with limited budgets and resources. Non-compliance may also impact directors and



officers (D&O) insurance, as coverage often requires adherence to federal regulations.

How to Prepare

Community associations should immediately review their governance and operational structures to determine if they fall under the CTA's reporting requirements. Associations with active boards and regular changes in directors must establish a system to track and report updates promptly. Working with legal counsel or other professionals familiar with federal compliance can ensure all steps are followed correctly.

Stay Informed

For the latest information and resources on the Corporate Transparency Act, visit the [Community Associations Institute's \(CAI\) CTA resource page](#). This page offers guidance tailored to community associations to help them meet their obligations and avoid penalties. Taking action now ensures compliance and protects the association from unnecessary risks.



Owners Curious Questions:

If damage originates from a common element, who is responsible for the deductible?

A: Responsibility for the deductible typically depends on the association's governing documents or insurance resolutions. These documents may assign responsibility either to the party experiencing the damage or to the party where the damage originated. Insurance resolutions may also include provisions addressing negligence and how it affects responsibility for the association's deductible or damages that fall under it. Always review these documents to clarify the specific obligations in your situation.



Preventing Water Damage During Extended Power Outages

Extended power outages during cold weather can create serious risks for condominiums and homeowner associations, particularly when temperatures drop below freezing. Without power, heating systems cannot maintain warm indoor temperatures, increasing the likelihood of frozen pipes and water damage. In January 2024, hundreds of communities experienced outages lasting up to a week, resulting in frozen pipes and sprinkler lines.

To help minimize these risks, associations and residents should consider the following steps:

- **Maintain a Slow Drip:** Encourage residents to keep faucets running with a small drip. Moving water is less likely to freeze, reducing the chance of burst pipes.
- **Insulate Pipes:** Ensure that common area plumbing, such as pipes in garages or utility rooms, is insulated with foam or blankets. Residents should do the same for exposed pipes in their units.
- **Circulate Warm Air:** Advise residents to leave cabinet doors open under sinks, particularly those near exterior walls, to allow warm air to reach pipes.

Turning off water entirely can be problematic for communities with sprinkler systems, as these systems are critical life safety measures. Insurance companies often require sprinkler systems to remain operable during outages or mandate notification if they are shut off.

For HOA and condominium managers, proactively communicating these precautions to residents before an expected outage can prevent damage and reduce repair costs for the association. Planning ahead protects property, ensures safety, and reduces unnecessary insurance claims.



Update of the Month: Insulate Exterior Faucets



As temperatures drop, insulating your pipes and adding faucet covers are simple yet effective steps to prevent costly damage to your home. Exposed pipes are particularly vulnerable to freezing, which can lead to cracks, leaks, and even burst pipes. Faucet covers protect outdoor spigots from freezing, reducing the risk of water backup into your home. These preventive measures are not only affordable but can also save homeowners thousands in potential repair costs—and help associations avoid filing claims on the master insurance policy.

Pipe insulation and faucet covers are budget-friendly, typically costing between \$10 and \$30 depending on the size of your project. These materials are readily available at local hardware stores like Home Depot or Lowe's, or through online retailers such as Amazon. For associations where exterior faucet maintenance falls under unit owner responsibility, Boards might consider sending out proactive tips to encourage owners to take action. Simple recommendations, such as covering exterior faucets, can go a long way in safeguarding the community and preventing unnecessary losses.



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