



## ALERTS

# New Corporate Transparency Act And The Tax-Exempt Entity Exception

February 27, 2024

### Highlights

The Corporate Transparency Act imposes new reporting requirements for many U.S. entities

Entities that have federal tax-exemption are not subject to the filing requirements under the act

Nonprofit entities that are not tax-exempt are subject to the act and its reporting requirements

The business press is publishing stories on the new Corporate Transparency Act, which requires new filings and carries penalties. Our nonprofit clients have questions about how the new law affects them.

The good news is that many nonprofits are exempt from the filing requirements of the new law. But not all nonprofits are exempt.

As reporting deadlines are approaching for some entities this year and others in 2025, here is a high-level overview:

## Tax-Exempt Entity Exception

Entities that have federal tax-exemption are not subject to the filing

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requirements under the act. This exemption applies to tax-exempt entities such as those that are organized under Section 501(c) of the Internal Revenue Code and exempt from tax under Section 501(a) of the code. The exemption also applies to entities that held this status and lost it less than 180 days ago. However, the entity must file if its tax-exempt status is not reinstated within the 180-day period.

Other entities are addressed by the new law.

### **Political Action Committees**

Some political action committees (PACs) are exempt from the filing requirements. The exemption applies to PACs that are organized under Section 527(e)(1) of the Internal Revenue Code and exempt from tax under Section 527(a) of the code.

### **Controlled For-Profit Subsidiaries**

The controlled for-profit subsidiaries of a tax-exempt entity also may be exempt from the filing requirements. To qualify for this exemption, the subsidiary must be wholly owned or controlled by an entity that is exempt from filing under the act.

### **Only Applies to Tax-Exempt Nonprofits**

Nonprofit entities that are not tax-exempt are subject to the act. Many nonprofits, such as user groups and homeowners associations, are not tax-exempt and thus are not exempt from the filing requirements under the act.

### **Newly Formed Entities Are Not Exempt**

Nonprofits that have not yet received a tax exemption are not exempt from the filing requirements. Entities formed before Jan. 1, 2024, must file by Jan. 1, 2025. Entities formed in 2024 must file within 90 days of creation or registration.

### **Filing Deadlines**

If your entity is not exempt or has lost its exemption, it is important that you comply with the reporting requirements and filing deadlines under the act. Failure to report can result in fines and, in some cases, criminal penalties. Importantly, senior officers of an entity that fails to report can be held accountable.

### **Fraud Alert**

The U.S. Department of the Treasury has issued an alert regarding fraudulent solicitations for information from individuals and entities that may be subject to the reporting requirements under the act. The agency has indicated it will not send unsolicited requests, so you should be wary if you receive any such communications.

To obtain more information, please contact the Barnes & Thornburg

attorney with whom you work, Jeremy Lewin at 312-214-8833 or [jlewin@btlaw.com](mailto:jlewin@btlaw.com), or Paula Goedert at 312-214-5660 or [paula.goedert@btlaw.com](mailto:paula.goedert@btlaw.com).

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