

DECEMBER 24, 2024

## UPDATED: Oh BOI! What Nonprofits Need to Know about the Latest Developments on the CTA

### BREAKING NEWS – CTA Injunction Reinstated – No Current BOI Reporting Obligations for ANY Entity.

On December 26, 2024, the Fifth Circuit Court of Appeals vacated its prior stay and reinstated the District Court’s preliminary injunction on enforcement of the CTA “in order to preserve the constitutional status quo” while the court “**considers the parties’ weighty substantive arguments.**” As a result of the reinstated injunction, **reporting companies are not currently subject to BOI reporting**, and the prior initial reporting deadlines are not currently in effect. Reporting companies may continue to report voluntarily while the preliminary injunction remains in place.

Irrespective of the injunction, organizations that are tax-exempt under Section 501(c) of the Internal Revenue Code remain excepted from the CTA, and such exception will continue to apply even if the preliminary injunction is once again lifted.

#### Original Post:

In 2021, Congress enacted the **Corporate Transparency Act** (“CTA”) as part of the National Defense Authorization Act for Fiscal Year 2021. The CTA requires all “reporting companies,” with certain enumerated exceptions discussed more fully below, to register and provide certain beneficial owner information (“BOI”) to the Financial Crimes Enforcement Network (“FinCEN”). The definition of a reporting company is very broad, capturing nearly all entities formed in the US.

The CTA took effect on January 1, 2024, but gave organizations formed before that date until January 1, 2025 to register with FinCEN and provide BOI reporting. As that deadline looms for organizations subject to the CTA, recent developments have altered the timeline for most organizations.

#### The Latest Developments

On December 3, 2024, the U.S. District Court for the Eastern District of Texas imposed a nationwide preliminary injunction that temporarily prohibits enforcement of the CTA and stays all deadlines to comply with the CTA’s reporting requirements. On December 5, 2024, the U.S. Department of Justice (“DOJ”) appealed the injunction, and on December 13, 2024, the DOJ filed an emergency motion to stay the preliminary injunction pending appeal with the U.S. Court of Appeals for the Fifth Circuit. On December 23, 2024, the Fifth Circuit Court of Appeals lifted the temporary injunction

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Nonprofit Law Matters looks at legal issues in the nonprofit and tax-exempt organizations world. Written by the attorneys and paralegals of Adler & Colvin, it provides updates and analysis regarding philanthropy, charity, and other exempt organization issues.

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and reinstated the CTA enforcement, including all existing filing deadlines. **In response to the lifted injunction, FinCEN has modified the filing deadlines as explained below.**

### Exception for Tax-Exempt Organizations

The CTA contains multiple exceptions to the definition of a “reporting company.” **One exception** covers organizations exempt under Section 501(c) of the Internal Revenue Code (the “Code”). Thus, an organization that has received an IRS determination letter establishing its 501(c)(3) tax-exempt status (and whose tax-exemption has not been revoked) is exempt from BOI reporting. This exception also applies to organizations exempt under other subparts of Section 501(c), such as 501(c)(4) social welfare organizations. Some public comments have cautioned that the CTA could be read to temporarily exclude from the 501(c) exception prospective 501(c)(3) organizations that have applied for, but not yet received, an IRS determination letter, causing undue hardship for such organizations. FinCEN **has declined**, so far, to issue guidance affirmatively addressing this concern, but has indicated that it will continue to monitor the application of the exception and assess the need for further guidance; unless and until FinCEN provides additional guidance, new charities may want to consult legal counsel regarding CTA compliance.)

If a tax-exempt organization’s status is revoked (for example, for failure to file an information return for three consecutive years), the organization will remain exempt from BOI requirements for 180 days from the date of losing its tax-exemption, and thereafter will have 30 days (for a total of 210 days from the date of losing exemption) to file a BOI report with FinCEN.

Although 210 days may seem like a lot of time, if an organization’s tax-exempt status is revoked, the organization should work quickly to reinstate it and avoid triggering BOI reporting requirements.

### \*\*Updated\*\* Reporting Deadlines Following Stay of Injunction

Organizations that are not exempt from BOI reporting are currently subject to the following initial **filing deadlines** (click on “Alert: Updates to Beneficial Ownership Reporting Deadlines):

- › Entities formed before January 1, 2024 must report their initial BOI by January 13, 2025. (Extended from January 1, 2025 to January 13, 2025.)
- › Entities formed in 2024 were originally required to file an initial BOI report 90 days from the date that the entity received actual or public notice that its creation was effective. Following the Fifth Circuit’s stay, FinCEN issued the following modified deadlines:
  - › Entities formed on or after January 1, 2024 and before September 4, 2024 must file an initial BOI report 90 calendar days from the date the organization receives actual or public notice that its creation is effective. (No change from original deadline.)
  - › Entities formed between September 4 and September 24, 2024 must file an initial BOI report by January 13, 2025.
  - › Entities formed on or after September 25, 2024 and before December 3, 2024 must file an initial BOI report 90 calendar days from the date the organization receives actual or public notice that its creation is effective. (No change from original deadline.)
  - › Entities formed on or after December 3, 2024 and before December 24, 2024 have an additional 21 days from their original 90-day filing deadline to file their initial BOI reports. (This amounts to 111 days from the date the organization receives actual or public notice that its creation is effective.)
  - › Entities formed on or after December 23, 2024 and before January 1, 2025 must file an initial BOI report 90 calendar days from the date the organization receives actual or public notice that its creation is effective. (No change from original deadline.)

- › Entities that qualify for disaster relief may have extended deadlines that fall beyond January 13, 2025. These entities should abide by whichever deadline falls later.
- › Entities formed on or after January 1, 2025 must file an initial BOI report 30 calendar days from the date the organization receives actual or public notice that its creation is effective. (No change from original deadline.)

#### Additional Information

For additional information on the BOI reporting requirements and exceptions, including the latest updates on enforcement deadlines, how to e-file a BOI report and the specific information required to be reported, please visit FinCEN's central BOI page (<https://fincen.gov/boi>) or the FinCEN BOI FAQ page (<https://fincen.gov/boi-faqs>).