

February 22, 2024

Senator Chuck Schumer
322 Hart Senate Office Building
Washington, DC 20510-3203

Inclusion of Homeowners Associations in
Corporate Transparency Act

Dear Senator Schumer:

We are the New York Legislative Action Committee (LAC) of the Community Associations Institute, representing the approximately 3,648,000 New Yorkers living in 1,400,000 homes in more than 14,170 community associations across the state.¹ We are writing today as representatives of community associations throughout New York and as concerned constituents seeking your assistance as our voice in the Senate.

The Corporate Transparency Act passed Congress in 2021. The law's intent was to help detect and report suspicious activity, including the predicate offenses to money laundering and terrorist financing in order to facilitate tracking money that has been sourced through criminal or terrorist activity so as to safeguard the national security and the financial system of the U.S. The way this law was written, though, it unintentionally applies to the 350,000 local volunteer-driven, cooperatives, condominium and homeowners associations in the United States, including 14,000 community associations in New York State alone.

The CTA places an incredibly burdensome and unnecessary mandate on small cooperatives, condominiums and homeowners associations. It requires officers and directors to send in their personal information to a federal database. It imposes draconian penalties on Board members for failure to comply. It inflicts another round of paperwork on Boards, managing agents and attorneys at additional cost to the communities. Many of the small community associations located in New York State simply do not have access to the professional expertise needed to comply with the Act.

The volunteers who serve as directors and officers of co-ops and condos do not expect to have to shoulder these burdens as a condition of Board service. As a cooperative resident yourself, you know how hard it is to encourage participation in association governance. It will be harder

¹ CAI is a national organization with active chapters in all 50 states. Please click on the hyperlink, or go to www.caionline.org, for more information regarding CAI as well as the significant role that condominiums, cooperatives and homeowners associations play in New York.

still to get potential Board members to serve due to the fears raised by the superfluous compliance requirements in the CTA.

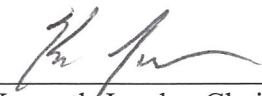
Ironically, the CTA only applies to corporations that have less than \$5 million in gross receipts or sales, and 20 employees or less. It also does not apply to entities like banks, venture capital firms, securities exchange or clearing agencies, insurance companies, public utilities, accounting firms, 501(c)(3) tax-exempt organizations² or large operating companies. In other words, it is specifically aimed at smaller business entities that may try to hide money. Community associations are hardly vehicles for money laundering or terrorism that the CTA was intended to monitor. Moreover, under New York State's securities fraud laws, the Attorney General's office maintains ongoing review of sponsors and developers (who are really the only persons who might have the capacity to launder money in connection with a co-op/condo offering) to protect purchasers and homeowners against malfeasance.

We urgently request that you support [H.R. 5119 – Protect Small Business and Prevent Illicit Financial Activity Act](#). Senators Sherrod Brown and Tim Scott need to take up H.R. 5119 for it to move forward. H.R. 5119 passed the House on December 12, 2023, with near-unanimous support, 400-1. After its passage through the House, a bipartisan group of over 80 Senators and Representatives sent a letter to FINCEN urging a 1-year delay of all CTA reporting requirements. But so far nothing has happened.

We implore you, as constituents, to SUPPORT H.R. 5119, and protect your constituents from federal regulations which we are confident the original drafters never intended to apply to them. Our team is ready and willing to work with you to move this legislation forward. Please contact our chairperson, Kenneth Jacobs, anytime at (914) 476-0600 (4102) or kjacobs@sbjlaw.com.

Sincerely,

Legislative Action Committee (NYS)
Community Associations Institute

By: 
Kenneth Jacobs, Chair

² (Co-ops and HOA's are not 501(c)(3) organizations.)

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