

EXEMPT ORGANIZATIONS

INFORMATION MEMO

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Most LLC Subsidiaries of Nonprofits Exempt From New York's LLC Transparency Act, but Exemption is NOT Automatic

Quick Overview: The New York LLC Transparency Act (NYLTA) is a new law requiring limited liability companies (LLCs) to annually disclose detailed information about their owners to the Department of State. Most LLCs that are wholly owned by nonprofits are exempt from NYLTA reporting based on a statutory definition which incorporates by reference the Corporate Transparency Act (CTA) exemptions for 501(c)(3)s and other federally tax-exempt organizations (you can read about the exemptions [here](#)). However, an initial exemption filing, followed by ongoing annual filings, must be made in order to take advantage of the exemption. This burden, which is not required under the CTA, significantly undermines the value of the exemption. That being said, the CTA has been subject to multiple injunctions so the future of its enforcement, and the consequences for NYLTA, remain uncertain at the time of this writing.

A Closer Look: Following in the footsteps of the CTA, in December 2023, New York state passed NYLTA, its own transparency law applicable to LLCs organized or doing business in the state. In March 2024, the legislature passed a chapter amendment which, among other things, extended NYLTA's effective date to Jan. 1, 2026 (one year later than the initial proposed effective date). NYLTA aims to prevent illicit and fraudulent activities perpetrated or aided by anonymously-owned LLCs by requiring "reporting companies" to disclose the identities of their beneficial owners to the Department of State. Read on for the details and a few important exemptions below.

Exemptions: Under NYLTA, an "exempt company" is any domestic or foreign LLC that meets any of the 23 conditions for exemption enumerated in the CTA. Wholly-owned LLC subsidiaries of nonprofits are exempt from NYLTA reporting requirements under the "subsidiary exemption"—a CTA exemption which applies to entities whose ownership interests are controlled or wholly owned, directly or indirectly, by one or more **entities that themselves qualify for certain exemptions**. As nonprofit organizations generally qualify for at least one of several enumerated CTA exemptions, the subsidiary exemption in turn exempts their wholly owned or controlled LLC affiliates from NYLTA.

The following CTA exemptions are those which commonly apply to nonprofits and which, via the CTA's subsidiary exemption, consequently exempt any of their wholly-owned LLC subsidiaries from NYLTA:

- **501(c) Organizations:** Organizations described in Section 501(c) of the Internal Revenue Code (Code) are all exempt. This includes the largest and most common group – 501(c)(3) charitable, educational, religious, etc. organizations – as well as other less common types of organizations that are tax exempt under 501(c) such as social welfare organizations, certain types of homeowner's associations, business leagues and social clubs.
- **Political Organizations:** Political organizations, as defined in Code Section 527(e)(1), that are exempt from tax under Code Section 527(a).
- **Charitable Trusts:** Charitable Trusts and Split-Interest Trusts (i.e., charitable lead and remainder trusts).

Nonprofits and their wholly-owned LLC subsidiaries should also be aware of the following less common situations which will create reporting requirements:

- **Mixed Ownership Joint Ventures.** LLCs owned or controlled by a combination of (a) one or more 501(c) exempt entities and (b) even one non-exempt entity are **not exempt** from NYLTA.
- **Homeowners Associations (HOA).** LLCs owned or controlled by HOAs exempt from taxation under Code Section 501(c)(4) **are exempt** from the NYLTA reporting. However, LLCs owned or controlled by HOAs (including condominium management associations, residential real estate management associations and timeshare associations) exempt under Code Section 528 **are not exempt** from NYLTA reporting.
- **Organizations That Have Had Their 501(c) Exemption Revoked:** Under the CTA, if an organization has its tax-exempt status revoked by the IRS, it has **180 days from the date of revocation** to comply with the reporting requirements. Similarly, wholly-owned LLC subsidiaries of 501(c) organizations are required to comply with NYLTA reporting if such exemption is not reinstated by the end of the CTA grace period.

Filing Requirements for Exempt Companies: A major difference between the CTA and NYLTA is that NYLTA requires exempt companies to electronically file a sworn statement of exemption attesting to (among other things), “the specific exemption claimed and the facts on which the exemption is based.” Exempt companies are also required to file annual statements confirming their exempt status.

- For LLCs in existence prior to Jan. 1, 2026, the first report or exemption attestation is due on or before **Jan. 1, 2027.**
- For LLCs formed after Jan. 1, 2026, the first report or exemption attestation is due within **30 days of formation.**

The foregoing is a summary of some of the major NYLTA considerations for nonprofits and wholly-owned LLC subsidiaries and is not intended as legal advice. The consequences of violating NYLTA are serious – including both civil penalties and the possibility of dissolution of the LLC – and thus all organizations should be acting now to confirm whether they are subject to NYLTA reporting requirements.

If you have any questions or concerns related to the NYLTA's impact on nonprofit subsidiary LLCs or any other matters concerning NYLTA or nonprofits, please contact [Thomas W. Simcoe](#), [Delaney M. R. Knapp](#), [Emily Ahlqvist](#), or the attorney at the firm with whom you are regularly in contact.

