



The Corporate Transparency Act: What It Means for You

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INSIGHTS

- The federal Corporate Transparency Act (CTA) goes into effect January 1, 2024, and will require many companies to file beneficial ownership information (BOI Reports) with the Treasury Department's Financial Crimes Enforcement Network (FinCEN).
- Non-exempt companies, depending on when they were formed, have different deadlines for filing an initial BOI Report.
- Non-exempt companies must update their initial BOI Report within 30 days of any change in information previously provided to FinCEN.
- There are substantial civil and criminal penalties for non-compliance with the CTA, including imprisonment.
- Your company should take steps now to prepare to comply with the CTA. Those steps may include compiling relevant information on the company's entities and identifying the company's beneficial owners.

Who Must File a BOI Report?

Under the CTA, unless exempt, domestic and foreign corporations, LLCs and any other entity that is 1) created by filing a document with a secretary of state or similar office in the U.S. or 2) formed under the law of a foreign country that is registered to do business within the U.S. must file a BOI Report with FinCEN. These non-exempt companies are "Reporting Companies".

The CTA exempts 23 categories of entities, including those that operate in certain heavily regulated environments (e.g., banks, publicly traded companies, securities issuers, insurance companies, registered public accounting firms, investment advisers, and tax exempt 501(c)(3) organizations) and companies that 1) employ more than 20 full-time employees in the U.S., 2) have filed U.S. federal income tax returns in the previous year showing more than \$5 million in gross receipts or sales and 3) maintain an operating presence at a physical office within the U.S.

What Information Must Be Reported?

Reporting Companies formed before January 1, 2024

Each Reporting Company formed before January 1, 2024, must provide information about the company itself (name, current address, jurisdiction of formation, EIN) and its “beneficial owners” (name, current residential address, driver’s license or passport number and copy of same). A “beneficial owner” is any individual who, directly or indirectly, exercises “substantial control” over the Reporting Company OR “owns or controls” at least 25% of the ownership interests in a Reporting Company, as more fully described in the FinCEN final rules.

Reporting Companies formed on or after January 1, 2024

In addition to providing information about the company itself and its “beneficial owners” as above, each Reporting Company formed on or after January 1, 2024, also must provide information about its “company applicant(s)” (name, business address, driver’s license or passport number and copy of same). Company applicants include (1) the individual who directly files the document to create or register the Reporting Company and (2) the individual primarily responsible for directing or controlling such filing.

Updates to BOI Reports

Reporting Companies must update their BOI Report within 30 days of any change in information previously provided to FinCEN about the company or its beneficial owners. Company applicant information is not required to be updated.

When Is the Deadline for Filing a BOI Report?

Reporting Companies formed before January 1, 2024, must file an initial BOI Report by January 1, 2025.

Reporting Companies formed in 2024 must file an initial BOI Report within 90 days of formation.

Reporting Companies formed on or after January 1, 2025, must file an initial BOI Report within 30 days of formation.

How to File a BOI Report?

Reports must be filed electronically through a FinCEN portal that is under development, the Beneficial Ownership Secure System (BOSS). Further information is to be made available at <https://www.fincen.gov/boi>.

What Are the Penalties for Violating the CTA?

Willful failure to report complete or updated beneficial owner information can result in civil penalties of \$500 per day for each day a violation continues and criminal penalties of \$10,000 and/or imprisonment for up to two years.

How to Prepare for the CTA?

Each company is responsible for complying with the CTA and should consider taking the following steps:

- Identify entities in your corporate structure that may need to file a BOI Report and determine whether any of them qualifies for an exemption.
- For any entity that is not exempt, identify its beneficial owners and collect the required information about such beneficial owners.
- Develop a system for collecting beneficial owner information and for filing initial and updated BOI Reports.

You should consult with legal counsel to determine your company’s reporting obligations and to ensure compliance with the CTA.

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