



CORPORATE TRANSPARENCY ACT

What You Need to Know

The Corporate Transparency Act (“CTA”) became effective on January 1, 2024 and will be a significant compliance concern for small business owners. The CTA was enacted to combat illicit finance, such as money laundering, tax fraud, financing for terrorism, and similar activities. The CTA aims to carry out this task by requiring a Beneficial Ownership Information (“BOI”) Report be filed with the Financial Crimes Enforcement Network (FinCEN) for each of the beneficial owners of a business.

What companies must file a BOI Report?

- Generally, a reporting company is defined broadly and includes limited liability companies (LLCs), corporations, and other entities created by filing a document with a particular state.
- Certain types of entities are exempt from the reporting requirement. There are 23 specific exemptions, including publicly traded companies, certain regulated industries, and companies that (i) employ more than 20 employees; (ii) had more than \$5 million in gross receipts or sales in the previous year’s tax return; and (iii) have a physical presence in the United States.
- Many small businesses and most holding companies (such as special purpose entities for real estate or other assets) will be required to file a BOI Report.

Who is a beneficial owner of a business?

- A beneficial owner, for purposes of the CTA, includes any individual who, directly or indirectly, (i) owns or controls at least 25% of the company’s ownership interests; **OR** (ii) exercises **substantial control** over the company.
- Non-owners who exert “substantial control” over a company include senior officers, individuals with decision making ability, or individuals with authority to appoint or remove officers or directors. The concept of “substantial control” casts a wide net, and will likely cover most officers, directors, and managers.
- The BOI Report must include each beneficial owner’s (i) full legal name; (ii) birthdate; (iii) home address; (iv) an identifying number from a driver’s license, passport, or other approved document; and (v) an image of the approved document that contains the identifying number.

When is the BOI Report due?

- For companies created prior to January 1, 2024, the filing deadline is January 1, 2025.
- For companies created on or after January 1, 2024 but before January 1, 2025, the filing deadline is 90 calendar days after receiving actual or public notice that the entity has been created.
- For companies created on or after January 1, 2025, the filing deadline is 30 calendar days after receiving actual or public notice that the entity has been created.
- While there is no annual reporting requirement, updates are required whenever any of the previously reported information changes. Updates are due within 30 calendar days of the change.

What are the penalties for non-compliance?

- Failure to file a required BOI Report can result in civil or criminal penalties.
 - Civil penalties of up to **\$500 for each day** that the violation continues.
 - Criminal penalties, including imprisonment for up to two years and/or a fine of up to \$10,000.
- Civil or criminal penalties may also be applicable for reporting incomplete or false information.
- Senior officers, whether or not owners, may be held accountable.

The CTA is a new and expansive law which will affect millions of businesses, so it is important to discuss filing requirements with your professional advisors. For further information, please see the BOI Small Entity Compliance Guide issued by FinCEN, which can be found here: [BOI Guide](#).