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Corporate Transparency Act of 2024

What is the Corporate Transparency Act (CTA)?

The CTA was enacted as part of the Anti-Money Laundering Act of 2020 (AMLA), and it places new reporting requirements on many business entities in an effort to expose illegal activities, including the use of shell companies to launder money or conceal illicit funds. Around 30 million small businesses will be impacted by the CTA, which has established a federal database of information furnished by “reporting companies,” that is accessible to certain authorities and organizations.

PLEASE NOTE: Violations of the CTA requirements carry civil and criminal penalties, including imprisonment and a \$500 fine per day up to \$10,000.

What does the CTA require?

The CTA requires that certain businesses disclose to the US Department of the Treasury’s Financial Crimes Enforcement Network (FinCEN) information about the company, its beneficial owners, and the company applicant.

Twenty-three types of entities are exempt from reporting. These entities include publicly traded companies, nonprofits, and certain large operating companies. A large operating company is defined as having all of the following: (1) more than 20 full-time employees; (2) more than \$5,000,000 in annual gross receipts or sales; and (3) physical operating presence in the US.

Reporting companies are defined by the CTA as any company with twenty or fewer employees that is formed by filing paperwork with the Secretary of State or equivalent official. Reporting companies include corporations, limited liability companies, and other similar entities.

For reporting companies, the following information should be reported:

- Legal name
- Trade name, if any
- US business address
- Jurisdiction of formation
- Tax ID number (TIN)

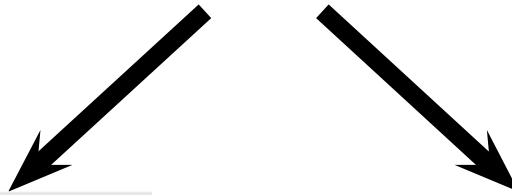
For beneficial owners, the following information should be reported:

- Full legal name
- Date of birth
- Residential address
- Identifying number, jurisdiction, and an image of a: (1) US passport; (2) state driver's license; or (3) state-issued identification

Who are a company's Beneficial Owners?

Beneficial Owners

Any individual who exercises *substantial control* over a reporting company or owns or controls at least 25% of the *ownership interest* of a reporting company.



Substantial Control

An individual has substantial control if

- they are a senior officer,
- they have authority to appoint or remove certain officers or a majority of directors,
- they are an important decision maker, or
- they have any other form of substantial control over the company.

Note for trusts: a trustee, beneficiary, or grantor, in certain circumstances, may exercise substantial control over a company.

Ownership Interest

An ownership interest includes one or more of the following:

- equity, stock, or voting rights
- a capital or profit interest
- convertible instruments
- options or other nonbinding privileges to buy or sell any of the foregoing
- any other instrument, contract, or other mechanism used to establish ownership

When should a company applicant be reported?

Company applicant information is only required for entities created or registered on or after January 1, 2024.

A company applicant is:

- The individual who filed the document that created or first registered the reporting company; and/or
- The individual who was primarily responsible for directing or controlling the filing.

The same information as required for beneficial owners should be filed for company applicants; however, the address reported may be a business address.

When are the deadlines for reporting?

As of January 1, 2024, most small businesses need to report information about their beneficial owners to FinCEN. The following table contains key deadlines for filing the required information.

	CREATED:	DUE DATE:
Existing Company	<i>Before Jan. 1, 2024</i>	January 1, 2025
New Company	<i>During 2024</i>	90 days after entity creation
New Company	<i>After 2024</i>	30 days after entity creation

Please note that any changes, updates, and/or corrections to previously reported information are due 30 days after the change or inaccuracy.

To file with FinCEN or obtain further information, please visit: <https://www.fincen.gov/boi> or <https://www.fincen.gov/boi-faqs>