

November 30, 2023

CORPORATE TRANSPARENCY ACT (CTA)

On January 1, 2021, Congress enacted the Corporate Transparency Act (CTA). The main purpose of the CTA is to protect the United States financial system from being used for money laundering and other illicit activities. Effective January 1, 2024, nearly every corporation, limited liability company, and limited partnership must file with the Financial Crimes Enforcement Network (FINCEN). Reports must be filed by domestic and foreign “reporting companies,” which are defined as follows:

Domestic reporting company – any business entity that is created by the filing of a document with a secretary of state or similar office.

Foreign reporting company – any entity formed under the law of a foreign country and registered to do business in any U.S. state by the filing of a document with a secretary of state or similar office.

Each business will be required to report:

- Business name and any DBA’s
- Current address
- State of formation
- EIN of entity
- Name, birth date, driver license or other ID number (including a photograph of the ID), and address of each direct or indirect “beneficial owner” of the entity.

A beneficial owner is defined broadly as any individual who directly or indirectly either exercises substantial control over the reporting company, or who owns or controls at least 25% of its ownership interests. An individual exercising substantial control would include senior officers and anyone who directs,

*The CTA goes into effect
January 1, 2024*

*Nearly every Corporation and
Limited Liability Company will
be required to report.*

*The required data collection is
beyond anything the Federal
Government has ever attempted
outside of the Tax Code.*

determines, or has substantial influence over important decisions made by the company.

For those that do not comply, significant penalties will be assessed. The penalties are \$500 per day up to a maximum of \$10,000 and up to 2 years in jail.

Certain entities will be exempt from the reporting requirements:

- Companies with more than 20 employees and more than \$5 Million in annual revenue
- Certain tax-exempt entities
- Dormant companies
- Publicly traded companies
- Regulated companies

For companies already in existence, they will need to register no later than January 1, 2025. Newly formed entities (created after January 1, 2024) will have 90 calendar days to file their initial report. In addition, if there is a change in the information previously reported (i.e. change in beneficial owners), the company must file an updated report within 30 calendar days after the change occurs.

Companies will be required to submit beneficial ownership information electronically through FINCEN's website. The system is currently being developed and will be available before the reports are due.

Failure to report will incur a \$500 per day penalty and up to two years in jail.

A change in officers or managers, may trigger an obligation to file an updated report within 30 days.

Dan Pearce Hugh Gill Ryan Farley Trent Wetta

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