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HALFWAY TO DEADLINE – CORPORATE TRANSPARENCY ACT (CTA)

July 1 marks the halfway point before all corporations, LLCs, and other entities formed through a filing with a Secretary of State's office that were in existence before 2024 must file beneficial ownership information ("BOI") with the Financial Crimes Enforcement Network (FINCEN). This is despite a district court ruling from the Northern District of Alabama that ruled that the Corporate Transparency Act ("CTA") exceeded Congress' Constitutional authority. The Treasury Department acknowledged the ruling, but indicated it would only recognize the ruling for the parties involved, meaning that the CTA still requires all covered entities to file the required information. The ruling is under appeal.

The CTA was passed by a veto-proof bipartisan majority of Congress for the purpose of protecting the United States' financial system from being used for money laundering and other illicit activities. The CTA requires nearly every corporation and limited liability company to file detailed personal information about the owners and those who control the business entity, including copies of driver's licenses or passports, with FINCEN. Entities that were already heavily regulated, such as publicly traded companies, banks, insurance companies, financial advising firms, certain non-profits, and larger businesses, were exempt from the reporting requirements.

The CTA was effective January 1, 2024. Entities that were in existence before the effective date are required to report their information by December 31, 2024. Entities formed after January 1, 2024 must file their information within thirty (30) days of formation, but are granted an extra sixty (60) days to file (total of 90 days from formation) during 2024. Beginning in 2025, information would be required to be filed within the 30-day window, including any updates to this information, such as a change of leadership of a reporting entity or change of address of an owner. Failure to file could result in significant penalties, including fines of $500 per day up to a maximum of $10,000, and up to 2 years in jail.

All entities formed between January 1 and March 31 of this year, must have filed their required information by now. If you have formed an entity and have not filed, you should file immediately. For existing entities, we recommend continuing to gather the information necessary to complete your filing by December 31. We expect that many small businesses owners will be able to complete the filing themselves by going to the Beneficiary Ownership Information website at www.fincen.gov/boi.

If you have questions regarding your business and the need to file, please contact Dan Peare at 316.631.3131.

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