



# Corporate Transparency Act

## New business reporting requirements start Jan. 1

by: Greg Goldberg, BTA General Counsel

With the Jan. 1, 2025, deadline fast approaching, this month's Legal Perspective focuses on the new business reporting requirements under the Corporate Transparency Act (CTA). Most eligible business entities under the CTA must file corporate transparency reports with the Financial Crimes Enforcement Network (FinCen) bureau of the U.S. Department of the Treasury by the beginning of the new year. Failure to comply with the CTA may result in fines, civil penalties or even criminal sanctions.

Originally enacted at the beginning of 2024 to combat a proliferation of illicit financial activities (e.g., money laundering, tax fraud, drug trafficking, terror financing and political corruption), the CTA's new reporting requirements obligate many companies doing business in the U.S. to provide beneficial ownership information (BOI) to FinCen. BOI includes information about specific individuals who own 25% or more of a reporting company or exercise substantial control over a reporting company. Many senior executives (e.g., president, CEO, COO, CFO, general counsel, etc.) of a reporting company will be considered beneficial owners under the CTA due to their control over the reporting company. Beneficial owners may be different from individuals or other corporate entities listed on state registrations or filings. Thus, by creating a national registry of BOI, the goal of the CTA is to prevent bad actors from exploiting vulnerabilities in the U.S. financial system or from taking advantage of opaque corporate structures to hide their identities.

Eligible businesses subject to the CTA's reporting requirements include corporations, limited liability companies (LLCs), limited partnerships or other similar business entities that were created by filing a formation document within an individual state. For example, S corporations formed in Delaware or LLCs established in Wyoming are likely to be considered eligible businesses subject to CTA reporting. Sole proprietorships are generally not considered reporting companies, unless one was formed by filing a document with a secretary of state or similar office. So far, there are only three recognized categories of businesses exempt from the reporting requirements under the CTA. They include: (1) entities regulated by U.S. government authorities (e.g., Securities & Exchange Commission, Federal Trade Commission, Federal Communications Commission, etc.); (2) large, privately-held companies with at least 20 full-time employees in the United States, more than \$5 million in annual gross sales or receipts



and an operating physical presence in the United States; and (3) certain tax-exempt entities.

The due date of an eligible reporting business's initial BOI report to FinCen depends upon when the business was formed. Eligible reporting businesses formed during this calendar year between Jan. 1, 2024, and Dec. 31, 2024, must file

a BOI report within 90 days of receipt of confirmation of formation. Eligible reporting businesses formed next year, on or after Jan. 1, 2025, must file a BOI within 30 days of formation. Eligible reporting companies formed prior to Jan. 1, 2024, must file a BOI report by Jan. 1, 2025. It is not necessary to submit a BOI report annually; however, a reporting company must file an updated BOI report whenever there is a change in the reporting company's basic information, beneficial owners or status as a reporting company. Updated reports should be filed no later than 30 days after the applicable change.

BOI reports are submitted electronically through a secure filing system available on FinCen's BOI e-filing website: <https://boiefiling.fincen.gov>. Reporting companies with more than one beneficial owner should include all beneficial owners on the same report. Although many, if not most, reporting companies are expected to submit BOI to FinCen on their own behalf, reporting companies may use professional assistance (e.g., attorney, accountant or other agent). A reporting company may designate anyone to file its BOI report, provided that the person is willing to provide his (or her) contact information, including full name and email address. Additionally, the individual filing the BOI report on behalf of the reporting company must certify that the information provided is true, correct and complete.

Information included in a BOI report should include a reporting company's: legal name and any trade names; address of principal place of business in the U.S. (no P.O. boxes); place of formation or incorporation; and taxpayer identification number. The BOI report should also include the name, date of birth, residential address and identification number (e.g. driver's license or passport number) for each beneficial owner. Because the reporting requirements under the CTA are new, questions about BOI reporting are bound to arise. Let BTA be one of your trusted resources for the CTA. ■

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