

## Corporate Transparency Act - Reporting Requirements Effective January 1, 2024

12/22/23

Effective January 1, 2024, the Federal Corporate Transparency Act (CTA) (Codified at 31 U.S.C. 5336) requires nearly all corporate entity types, such as limited liability companies, corporations, and foreign entities qualified to do business in the United States, to submit beneficial ownership information to the Financial Crimes Enforcement Network (FinCEN).

Entities that fail to comply with the CTA will be exposed to civil and criminal penalties.

All CTA reporting will be made electronically through the Beneficial Ownership Secure System (BOSS) created and maintained by the federal government. The system will not be available until January 1, 2024. More information about the CTA and the reporting requirements can be found below and at <https://www.fincen.gov/boi-faqs>.

More specifically, the CTA mandates disclosure of ownership to the federal government for almost all types of business entities (called *Reporting Companies*) that do not fall within one of the law's exemptions, most of which are only applicable to entities that already require this information to be reported to the government, e.g., banks, credit unions, public utilities, and insurance producers. The CTA applies not only to entities formed on or after January 1, 2024 but also to pre-existing entities. Below is a chart that sets forth the timing of reporting requirements.

Creation Date	Filing Deadline
Before January 1, 2024	January 1, 2025
Between January 1, 2024, and December 31, 2024	Within 90 calendar days of earlier of: (i) date received actual notice of creation or registration, or (ii) date SOS first provides public notice of creation or registration
On or after January 1, 2025	Within 30 calendar days of earlier of: (i) date received actual notice of creation or registration, or (ii) date SOS first provides public notice of creation or registration

<b>Once Exempt but No Longer Exempt</b>	<b>Within 30 calendar days after no longer meeting exemption criteria</b>
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The CTA requires disclosure of all individuals who: (i) own the company, directly or indirectly (meaning upstream disclosure until you get to individual owners); (ii) exercise “substantial control” over the company (this includes people even if they have no ownership); and (iii) those who file or assist with the formation of the entity, e.g., attorneys or other individuals who are tasked with entity formation. These individuals are referred to under the CTA as *Company Applicants*. This is an ongoing reporting requirement, and any change to the reported information must be updated through BOSS within 30 days of the change.

Reporting Companies will be required to provide the following information:

1. The legal name of the company and all trade names
2. Street address of the company’s principal place of business (P.O. boxes and third-party addresses are not permitted)
3. A foreign company (formed outside of the US) without a principal place of business, must report the address the company uses to conduct its business in the United States
4. The jurisdiction in which the company was formed or registered
5. Taxpayer Identification Number (TIN)
6. Foreign issued TIN which identifies the issuing jurisdiction
7. Beneficial Owner Information:
  1. Full legal name
  2. Date of birth
  3. Current residential or business street address
  4. A unique number from a non-expired, government-issued photo ID, such as a U.S. passport or state driver’s license (a foreign passport will be accepted if no U.S. issued ID is available) and copy of the corresponding photo ID
8. Company Applicant Information equivalent to the information required for a Beneficial Owner (not more than two individuals are required)

As noted above, the CTA contains serious penalties for willfully providing false information or failing to report or update beneficial ownership information. The civil penalty is \$500 per day, while criminal penalties include fines of up to \$10,000, imprisonment for up to 2 years, or both. If a report is filed that contains inaccurate information and the Reporting Company did not have actual knowledge the information was incorrect, it will be given a 90-day grace period to submit a revised report.

The one-year grace period for existing entities to make CTA disclosures will enable entities and advisors to figure out how best to manage the disclosure process for existing entities. Indeed, all stakeholders are preparing themselves to address these issues moving forward next year. Business owners who may need new entities in the future should consider creating the new entities before January 1, 2024 in order to get the benefit of the grace period for the initial reporting. Do not hesitate to contact your attorney for more information related to the CTA.

*Clients should note that this shall not be construed as an indication or expansion of the scope of our representation. Wilentz, Goldman & Spitzer, P.A. will assist clients with CTA compliance only if specifically agreed to in writing.*

#### **Attorney**

- Jason J. Krisza