

LEGAL UPDATES

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Corporate
Transparency Act
(CTA)

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Deadline Fast Approaching: New Reporting Requirements for Small Businesses Under the Corporate Transparency Act

Overview

New federal regulation: The Corporate Transparency Act became effective on January 1, 2024. The stated purpose of the Corporate Transparency Act is to combat money laundering, but it places a new burden on business owners.

Businesses impacted: Generally, you must comply if you have a corporation, LLC, PLLC, LP, LLP, or LLLP that has: 20 or fewer full-time employees, or \$5 million or less in annual revenue.

Requirement: You must submit ownership information to the Financial Crimes Enforcement Network (FinCEN).

Deadline: December 31, 2024 (unless it's a new business, in which case you must comply within 90 days).

Penalties for noncompliance: Significant fines and up to two years' federal imprisonment.

Need help? We can assist you with the filing process.

Don't wait: Keep in mind, we service many businesses; waiting until the end of the year to start may result in delayed assistance.

Take the first step: contact your Husch Blackwell attorney or our Corporate Transparency Act Team at CTAfilings@huschblackwell.com.

Learn more: See our detailed analysis below.

Introduction

The reporting requirement under the Corporate Transparency Act took effect January 1, 2024. Now, most small businesses are required to report beneficial ownership information to the Financial Crimes Enforcement Network of the U.S. Treasury Department (FinCEN). Businesses created before 2024 must file reports no later than January 1, 2025, and businesses created in 2024 must file reports within 90 days after creation.

Which businesses must file reports?

The act requires a reporting company to provide information about its beneficial owners and company applicants. This requirement applies even if the business closes in 2024. A reporting company includes a corporation, LLC (including S-Corps), or an entity created by the filing of a document with a secretary of state or similar office under the law of a state or American Indian tribe. A foreign company similarly registered to do business in the U.S. is also considered a reporting company.

Any exemptions?

The act provides 23 exemptions, most of which cover companies that are already subject to oversight. One exemption covers large companies that: (a) employ more than 20 full-time employees, (b) report more than \$5 million in gross receipts or sales on its previous tax return, and (c) operate at a physical location in the U.S. A company that is controlled or wholly owned by an exempt company is also exempt.

Who is a beneficial owner?

A beneficial owner is each person who:

1. owns or controls 25% or more of the reporting company's ownership interests, or
2. exercises substantial control over the reporting company.

Examples of a beneficial owner:

A person who makes important decisions or has substantial influence over those decisions.

A senior officer (president, general counsel, chief officer, or a similar role).

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A person who has authority to appoint or remove an officer or a majority of the directors.

A person who owns 25% or more of the reporting company's interest in assets or profits.

Who is a company applicant?

The reporting company may have two company applicants. A company applicant is the person who:

1. directly filed the document that created the reporting company with the secretary of state or similar office; or
2. controlled and was primarily responsible for the filing of the formation document.

What information must be reported?

A reporting company must provide information about (a) itself, (b) its beneficial owners, and (c) its company applicants. However, if the reporting company was created before January 1, 2024, it does not need to provide information about its company applicant.

Information about the reporting company

The reporting company must provide the following information about itself:

1. Legal name (including all d/b/a or trade names)
2. Street address (cannot be a P.O. box)
3. State or jurisdiction of formation
4. Tax identification number (such as an Employer Identification Number, Social Security Number, or Individual Taxpayer Identification Number)

Information about the beneficial owner

The reporting company must provide the following information about each beneficial owner:

1. Full legal name
2. Date of birth
3. Residential address
4. An image of an acceptable identification document (such as a state driver's license or passport)

Information about the company applicant

If the reporting company was created in 2024, the reporting company must provide the following information about the company applicant:

1. Full legal name
2. Date of birth
3. Address (may use business address if the applicant works in corporate formation like an attorney; if not, must use residential address)
4. An image of an acceptable identification document (such as a state driver's license or passport)

Deadline to file report

Date of creation or formation	Deadline
Before January 1, 2024	January 1, 2025
January 1, 2024 to December 31, 2024	Within 90 days after notice of formation
On or after January 1, 2025	Within 30 days after notice of formation

Information changes

If the reporting company's or a beneficial owner's reported information changes, the reporting company must file an updated report within 30 days after the change. Changes that would require an updated report include the following:

A new business name or address

A change in beneficial owners (such as a new CEO) or a sale that changes who owns 25% or more of the business

A change to a beneficial owner's name, address, or unique identifying number. If the beneficial owner obtained a new driver's license that includes those changes, the updated report must include an image of the new driver's license.

Penalties

A person who willfully violates a reporting requirement may be subject to a civil fine and criminal penalties. The civil fine is up to \$591 for each day that the violation continues (this amount is adjusted

annually for inflation). The criminal penalties include a fine of up to \$10,000, imprisonment up to two years, or both.

Next steps

Businesses should act now to ensure they have adequate systems in place:

to identify their reporting requirements,

to file their report with FinCEN before its deadline, and

to maintain their reported information.

Contact us

If you need assistance with this filing requirement, or have questions, please contact your Husch Blackwell attorney or our Corporate Transparency Act Team at CTAfilings@huschblackwell.com.