

Breaking: New Corporate Transparency Act Requires Disclosures From Many Businesses

December 12, 2023

As of January 1, 2024, the federal Corporate Transparency Act ("CTA") will require action to be taken by many business entities—even certain single member LLCs. Owners, officers, directors and even trust beneficiaries and trust fiduciaries for businesses held in trusts may need to comply. The following is a very brief summary of the information you need to know.

- **Who:** The law requires "reporting companies" to file CTA reports. In short, the reporting obligation includes any United States entity created by the filing of a document with a secretary of state, similar state office, or other governmental agency. The reporting obligation also applies to any entity formed outside of the United States that is registered to do business in the United States. This includes LLCs and certain partnerships. The definitions and exemptions are detailed here: https://www.fincen.gov/boi-faqs#C_2.
- **What:** Detailed information must be reported about the reporting company, its "beneficial owners," and its "company applicants," if applicable. The information includes, but is not limited to, names, addresses, jurisdiction of formation, tax identification numbers, passport photograph and more for the company and each person who exercises "substantial control" over the reporting company or who owns or controls at least 25% of the company's ownership interests. This may include officers, directors, trustees and more.
- **When:** When you have to file depends upon when the reporting company was formed. First, any reporting company created or registered prior to January 1, 2024 will have one year—until January 1, 2025—to file its initial report. Second, any reporting company created or registered on or after January 1, 2024, and before January 1, 2025, must file its initial report within 90 days of receiving notice of the company's creation or registration. Third, any reporting company created or registered on or after January 1, 2025 must file its initial report within 30 days of receiving notice of the company's creation or registration. In addition, updates must be filed within 30 days of any change in reported information.
- **Where:** Reports will be filed on the Financial Crimes Enforcement Network ("FinCEN") website: <https://www.fincen.gov/boi> starting January 1, 2024. This reporting must be done by the reporting company. If requested, Lathrop GPM is available to assist you with this process, but we will not automatically take any action on your behalf. If you would like us to assist you, please reach out to your Lathrop GPM attorney.
- **Why:** The goal of the CTA and the related rules issued by the FinCEN is to help national security, intelligence, and law enforcement agencies prevent "*drug traffickers, fraudsters, corrupt actors such as oligarchs, and proliferators from laundering or hiding money and other assets in the United States*" from using shell and front companies.



Failure to satisfy a reporting obligation may result in civil or criminal penalties. The CTA provides for penalties of up to \$500 per day (but not more than \$10,000), imprisonment for not more than two years, or both for 1) willfully providing or attempting to provide false or fraudulent information or 2) willfully failing to report complete or updated beneficial ownership information to FinCEN.

For more details, including changes that may be announced, you may go to the CTA Resource Center on our website, or contact the authors listed above or your Lathrop GPM attorney. You can also learn more directly by going to www.fincen.gov.