Business Owners Be Prepared – The Corporate Transparency Act and Reporting is here!

Whether you are an active business owner or simply own a share in a business entity, a new law called the **Corporate Transparency Act** may mean new reporting requirements for you, starting in 2024.

What is the Corporate Transparency Act?
The Corporate Transparency Act is a federal law that will become effective on January 1, 2024, and it will affect many if not all business owners. Even though the law has the word "corporate" in its title, it does not mean that it only concerns corporations but many different kinds of businesses. Therefore, it may be time to get in touch with your legal advisor to make sure that you know what your obligations are under the new law.

Why was the Corporate Transparency Act called into Life?
Over the past decade or so, there have been increased legislative efforts to make US entities more transparent and to fight money laundering and terrorist financing. As a result of these efforts, the Senate enacted the Corporate Transparency Act on January 1, 2021.

What Kinds of Companies are affected?
The Act requires "**reporting companies**" to disclose specific information regarding their "**beneficial owners**" and "**company applicants**" to the US Treasury Department's Financial Crimes Enforcement Network, also known as FinCEN. But what are reporting companies, beneficial owners and company applicants?

Reporting Companies include privately held domestic and foreign entities (corporations, LLCs or other similar entities) created by the filing of a document with the secretary of state or a similar office under the law of a State or Indian Tribe. There are 23 entity types that are exempt from reporting (e.g. SEC-reporting companies, insurance companies etc.). The exemptions mostly apply to well-established larger businesses. Business owners should not assume that they fall under one of the exemptions without a careful review.

Reporting companies have to provide identifying information for the beneficial owners of the reporting company. A **beneficial owner** is an individual who directly or indirectly exercises substantial control over a reporting company or owns or controls at least 25 percent of the ownership interest of a reporting company. It is beyond the scope of this article to list all the possible individuals who might be considered a beneficial owner, so it is important to make that determination in consultation with your legal advisor who is qualified to make that determination.
If you are not a business owner but involved with a business as part of a trust, please know that you may be a beneficial owner as the trustee, as an individual with the authority to dispose of trust assets, as a beneficiary who is the sole permissible recipient of income and principal or has the right to demand a distribution or withdraw substantially all of the assets or a grantor/settlor who has the right to revoke the trust or otherwise withdraw the assets.

Company applicants are individuals who file the documents that create a domestic entity or register a foreign company.

What Information must be reported?
A reporting company must include the full legal name of the entity, any trade or d/b/a name, address, federal taxpayer ID and the jurisdiction of the formation, as well as information for the beneficial owner (name, date of birth, home address, US passport or driver's license, an image of the passport or driver license).

Do business owners need to take any action?
If you are a business owner or own a share of a business, directly or through another entity, possibly even a trust, you should contact your corporate attorney to determine whether any filings are necessary and if so, when the due date is. Reporting companies will have either 30 days or 1 year to comply with the reporting requirement. Penalties for violating the Corporate Transparency Act can include civil and criminal penalties, including monetary fines of up to $10,000 and possible imprisonment of up to two years.