



CLIENT ALERT

Henry, McCord, Bean, Miller, Gabriel & Marino PLLC

2024 BUSINESS UPDATE: NEW REPORTING REQUIREMENTS FOR BUSINESSES UNDER CORPORATE TRANSPARENCY ACT

January 10, 2024



ERICA R. CHESSOR

Starting in 2024, a corporation, LLC, LP or similar entity that is created by filing a document with the state (including foreign companies registered to do business in any state) (the “Reporting Company”) will now be required to provide specific disclosures regarding each business’s Beneficial Owners and Company Applicants (“Beneficial Owner Information” or “BOI”). Currently there are 24 exceptions to the Reporting Company definition such as Banks; tax-exempt entities; publicly traded companies; insurance companies; Investment companies registered with the SEC; Large Operating Companies which have more than 20 employees, gross receipts over \$5 million and a physical presence in the U.S.; government entities, Trusts, etc.

The purpose behind enacting the Corporate Transparency Act (“CTA”) was to remove anonymity that allows bad actors to commit financial crimes through the use of shell companies. To accomplish this, the CTA requires that each Reporting Company provide a name, business address, jurisdiction of formation, and a unique I.D. number. For each Company, the Beneficial Owners information and Company Applicant information must also be provided.

A Beneficial Owner is defined under 31 CFR §1010.380(d)(3)(ii) as an individual who directly or indirectly owns or controls at least 25% of the Reporting Company, or controls ownership of at least 25% of the Reporting Company. A few examples of how an individual could be deemed a Beneficial Owner: by Board representation, ownership of a majority of the voting power, rights associated with a financing agreement, control over an intermediary entity that exercises substantial control over the Reporting Company, arrangements or contracts which provide substantial control to an individual, or being a “senior officer”. The Company Applicant is responsible for providing BOI information to the Financial Crimes and Enforcement Network (“FinCEN”). The Company Applicant also must be disclosed during this process. It can be a member of the Company or an attorney or paralegal who made the initial submission to a state.

For qualifying Reporting Companies in existence before January 1, 2024, the first report is not due until January 1, 2025. For qualifying Reporting Companies formed between January 1, 2024 and December 31, 2024, the first report is due within 90 calendar days of registration. For qualifying Reporting Companies formed on or after January 1, 2025, the first report is due within 30 calendar days of registration. Once in existence, it must be updated within 30 days of changes to Beneficial Owner’s Information, or if the Reporting company becomes an exempt company, or if the Reporting Company knows, or should know, that information provided previously, is inaccurate.

Penalties for willfully failing to comply with or willfully providing false information to the CTA can include fines up to \$500/day (maximum of \$10,000) and possible imprisonment.

This is only a summary of the CTA, and should not be relied on as legal advice. If you want assistance in making a filing with FinCEN, please contact Erica Chessor, at echessor@henry-mccord.com