



CORPORATE TRANSPARENCY ACT

JANUARY 2024

Effective January 1, 2024, federal rules implementing the Corporate Transparency Act (the "CTA") require filings by millions of corporations, limited liability companies, and other types of business entities organized or operating in the United States.

The CTA requires that each Reporting Company submit an online filing with the U.S. Financial Crimes Enforcement Network ("FinCEN") disclosing specified information about its owners. For these purposes, the term "Reporting Company" is broadly defined to include most corporations, limited liability companies, and similar entities that are created or registered to do business in the United States through a filing with a governmental agency. However, there are 23 separate exemptions to the definition of "Reporting Company", which generally apply in the case of entities that already are required to report ownership information to the U.S. government pursuant to a separate legal requirement (such as publicly-traded companies, banks, etc.).

The CTA requires that each Reporting Company report information on each of its Beneficial Owners and Company Applicants. The CTA defines "Beneficial Owner" to include any individual who, directly or indirectly, exercises substantial control over a Reporting Company or owns or controls at least 25% of the ownership interests of the Reporting Company. The CTA defines "Company Applicant" to include any individual who files or oversees the filing of an application to form a Reporting Company or to qualify it to do business in the United States.



Reporting Companies that were formed or qualified to do business in the United States prior to January 1, 2024 will have a full year – until January 1, 2025 – to submit their initial reports to FinCEN under the CTA. Reporting Companies that are formed or qualified during calendar year 2024 will have 90 calendar days to submit their initial reports. Reporting Companies that are formed or qualified on or after January 1, 2025, will have 30 calendar days to submit their initial reports.

Reporting Companies that have submitted reports to FinCEN will be required to amend those reports within 30 days after becoming aware that information contained in the reports has changed or otherwise is inaccurate, such as following a change in ownership.

The CTA imposes substantial penalties for willfully providing false information or willfully failing to report or update beneficial ownership information, including fines of up to \$10,000 and/or imprisonment for up to two years.

We urge all entities to review the CTA's requirements carefully to determine whether they are required to submit reports to FinCEN and when those reports are due. If you have questions or need assistance with regard to CTA-related matters, please feel free to contact your primary attorney at Shutts & Bowen.

This alert is a summary only and is not intended to provide a comprehensive description of the requirements of the CTA. Further information about those requirements can be found at www.fincen.gov/boi.