

## The Corporate Transparency Act: What Businesses Need To Know

=> NAME REMOVED FOR CLIENT PRIVACY <=

This means that any registered entity formed by filing documents with a secretary of state or similar state or tribal office falls under the purview of the CTA reporting requirements. Find the FinCEN's list of exempt entities at [fincen.gov/boi-faqs](https://www.fincen.gov/boi-faqs).

**What Is A Beneficial Owner?**  
A beneficial owner is defined as either a) someone who owns or controls 25% or more of the reporting company's ownership or b) someone with "substantial control" over the reporting

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company. Substantial control refers to an individual who serves as a senior officer in the company, holds authority over the appointment or removal of any senior officer, or commands significant influence over crucial matters pertaining to the reporting company.

**What To Report?**  
Reporting companies must disclose specific information about their beneficial owners, including their full legal name, date of birth, residential address, and "a unique identifying number from a non-expired passport issued by the United States, a non-expired personal identification card, or a non-expired driver's license issued by a State."

**Where And When To File?**  
To streamline the process, the BOI report will be filed online on

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Starting January 1, 2024, the Corporate Transparency Act (CTA) takes effect with a primary objective to establish a reporting mandate for a wide range of U.S. and foreign-based entities and trusts. The core purpose of the CTA is to strengthen the ongoing battle against complex financial crimes and corruption, encompassing everything from money laundering, tax evasion, corruption, terrorist financing, and even human trafficking.

The CTA, which builds upon the Anti-Money Laundering Act of 2020, is a significant step forward in promoting financial integrity and transparency. However, it also imposes additional responsibilities on small and medium-sized businesses, necessitating the collection, reporting, and ongoing monitoring of certain information to ensure compliance with its provisions.

One of the primary requirements under the CTA is the filing of a Beneficial Ownership Information (BOI) report with the Department of Treasury's Financial Crimes Enforcement Network (FinCEN). The purpose of this report is to gather data to help authorities identify the true owners or controllers of a business entity. Failure to comply with the CTA can result in both civil (\$500-a day-penalty, up to \$10,000) and criminal penalties (up to two years' imprisonment), underscoring the urgency for all businesses to adhere to the law.

**Who Must Report?**  
The CTA defines a "reporting company" as any new or pre-existing domestic or foreign entity, such as corporations, LLCs, partnerships, and trusts, that are registered to do business in the United States.



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