

# NAVIGATING THE CORPORATE TRANSPARENCY ACT: WHAT BUSINESS OWNERS NEED TO KNOW



Beginning January 1, 2024, many business owners will be required to file a Beneficial Ownership Information (BOI) report with the Financial Crimes Enforcement Network (FinCEN). Businesses that are obliged to file this report include corporations, limited liability companies (LLCs), or any other entity created by the filing of a document with the secretary of state.

## **What is the Corporate Transparency Act (CTA)?**

The CTA is a new regulation designed to enhance transparency within the business landscape, specifically targeting small businesses. Starting January 1, 2024, certain entities will be required to file a Beneficial Ownership Information (BOI) report with the Financial Crimes Enforcement Network (FinCEN).

## **Who does it impact?**

This reporting requirement applies to businesses such as corporations, limited liability companies (LLCs), and other entities created through state filings. It

primarily targets small businesses, with exemptions for 23 categories, including "large operating companies." Large operating companies, in this context, are those with over 20 employees, generating more than \$5 million in gross revenue, and maintaining a physical office in the U.S.

## What's required?

Businesses falling under the CTA are required to disclose information about beneficial owners, defined as individuals with at least 25% ownership or substantial control over the reporting company. The information to be reported includes the individual's name, date of birth, residential address, and an identifying number from an acceptable identification document.

## Key dates and filing details

- Registration for reporting begins on January 1, 2024.
- Existing businesses have until December 31, 2024, to file the BOI report.
- Newly formed businesses must file within 90 days of formation.
- In the event of a change in beneficial ownership, a new registration must be filed within 90 days of the change.

## Why does it matter?

Noncompliance can result in civil penalties of \$500 per day, while criminal penalties may lead to up to two years of imprisonment and a \$10,000 fine.

## What do you need to do?

We strongly recommend reaching out to your legal counsel for guidance on filing these reports. They are equipped to handle the intricacies of new business entity formation, changes to existing entities, and existing entity beneficial ownership.

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