EXPERT CONTRIBUTOR

Does the Corporate Transparency Act Affect Me? **It Might.**

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IF YOU OWN AN INTEREST IN A limited liability company (LLC), a limited partnership, a U.S. corporation or any other entity created by filing a document with a secretary of state or similar office (Reporting Company), you need to know about the Corporate Transparency Act (CTA).

The CTA is expected to affect more than 30 million companies. It requires Reporting Companies to report certain information to the Financial Crimes Enforcement Network (FinCEN) on the Reporting Company, Beneficial Owners and Company Applicants.

The purpose of the CTA is to prevent nefarious actors like money launderers and terrorists from using shell companies to launder illicit gains. To accomplish this goal, the definition of a Reporting Company casts a wide net. Unfortunately, that net is also going to capture companies created as part of routine business and estate planning, including LLCs created to hold family cottages.

There are 23 types of entities that are exempt from the definition of a Reporting Company because they are already generally subject to substantial state and federal regulation, such as banks, insurance companies and large operating companies. Small business owners and individuals using entities for estate planning purposes are not likely to find relief in these exemptions.

The due date for a Reporting Company's initial CTA report is determined by the date the Reporting Company was created. If your Reporting Company:

- is or was created **before January 1, 2024**, your initial report is **due no later than January 1, 2025**.
- is created **on January 1, 2024, or any time thereafter**, your initial report is **due within 30 calendar days** after the entity's creation date.
- All reports must be submitted via an online platform called the Beneficial Owner Secure System (BOSS).

The initial report will include information on the Reporting Company, its Beneficial Owners and its Company Applicants. A Beneficial Owner is any individual who, directly or indirectly, exercises substantial control over a Reporting Company or who owns or controls at least 25% of its ownership interests. If a trust meets the definition of a Beneficial Owner, the trust's trustees, beneficiaries and settlor/grantor may all be treated as Beneficial Owners. A Company Applicant is the individual who files the document to create or register a Reporting Company and the individual primarily responsible for directing the filing.

For the Reporting Company, this information will include the name of the company, its tax identification number and business address. For each Beneficial Owner and Company Applicant, this information will include name, date of birth, address and a unique identification number (such as from a driver's license or passport). Reporting Companies in existence prior to January 1, 2024, do not have to provide Company Applicant information.

In addition to the initial report, reports must be filed with FinCEN within 30 days after the date on which there are any changes to Reporting Company or Beneficial Owner information. For example, each time a Beneficial Owner moves or changes their name, that change must be reported to FinCEN.

The penalties for failing to comply with the CTA can be severe, including fines ($500 per day, up to $10,000) and imprisonment (up to two years).

January 1, 2024, will be here soon, so now is the time to talk with your attorney, accountant or other professional adviser about whether the CTA applies to you and, if it does, how to comply with its reporting requirements.