

## **MANDATORY REPORTING OBLIGATIONS UNDER THE CORPORATE TRANSPARENCY ACT**

The Corporate Transparency Act (the “CTA”) imposes new reporting requirements that very likely may impact you and your company(ies).

### **WHAT IS THE CORPORATE TRANSPARENCY ACT?**

The CTA was adopted to fight money laundering by creating a national database of company owners. The CTA requires companies to report the personal identifying information of (1) the company’s Beneficial Owners and (2) the person responsible for filing the company’s formation documents (the “Applicant”).

### **WHO MUST REPORT?**

All companies, including limited liability companies (including single-member LLCs), corporations, and other similar business entities; the Act does contain a very narrow list of exceptions (see below).

### **WHAT MUST BE REPORTED?**

Under the CTA, reporting companies will need to provide the following information for each Beneficial Owner and Applicant:

- legal name;
- date of birth;
- current residential address; and
- unique identifying number from an acceptable document (such as a state driver’s license or U.S. or foreign passport).

Under the CTA, a company’s “Beneficial Owner[s]” are all natural persons who:

- directly or indirectly, own 25 percent or more of the equity in the reporting company,
- exercise “substantial control” (see below) over the reporting company, OR
- receive substantial economic benefits from the assets of a company.

The individuals who have “substantial control” of a company include: (i) a reporting company’s senior officers, (ii) persons with authority to appoint or remove senior officers or board members of a reporting company, or (iii) any other person that provides direction or influences the major decisions of a reporting company.

An “Applicant” is any natural person who files the paperwork to form a reporting company under U.S. law or registers a company formed under a foreign country’s laws to do business in the United States. Company Applicants include both the actual filer and the natural persons who directed the filing.

### **WHERE DO I REPORT?**

Reported information for the CTA will be made to the Financial Crimes Enforcement Network of the Department of the Treasury, known as FinCEN. The information will be maintained in a secure database and made available only to federal agencies, state and local agencies, and law enforcement.



## EXCEPTIONS TO THE REPORTING REQUIREMENTS:

The CTA targets small businesses that have the potential to be “shell companies” formed for the purpose of laundering money. Twenty-three (23) exceptions have been provided. For example, if your company: (i) has more than 20 full-time employees in the U.S.; (ii) reports more than \$5,000,000 in gross receipts or aggregate sales; AND (iii) maintains a physical office space within the United States that is exclusively owned or leased by your company or its affiliates for business purposes, then your company will not need to report. If your business does not meet those requirements or fit within another exemption, then your business must report the Beneficial Owner & Applicant information to FinCEN.

Other exemptions include: publicly traded companies; banks; credit unions; brokers or dealers in securities; investment companies or investment advisers; venture capital fund advisers; insurance companies; state-licensed insurance producers; accounting firms; and tax-exempt entities.

## WHEN MUST I REPORT?

Reporting companies in existence as of December 31, 2023, must file their reports by January 1, 2025. Companies formed between January 1, 2024, and December 31, 2024, have only 90 days after formation to make the initial beneficial ownership report to FinCEN.

**Disclaimer:** *This Notice does not constitute legal advice or providing legal services. This Notice is merely a general announcement of a new regulation. Nothing contained within this Notice constitutes a lawyer-client relationship between McMillan Metro Faerber, P.C. and the reader. The implementation of the Corporate Transparency Act is still in development. Further, a variety of other federal and state laws and regulations may apply to your particular business activities. You may contact your legal counsel if you have specific questions.*

Changes in reporting company information, including changes in exemption status or Beneficial Ownership, must be reported to FinCEN within 30 days of the change. Companies formed on or after January 1, 2025, will have only 30 days after formation to file the initial beneficial ownership report.

## WHAT IF I DO NOT REPORT?

The CTA provides for civil and criminal penalties for any person who fails to report as required. The person will be liable for a civil penalty of up to \$500 for each day a violation continues or has not been remedied and may be fined up to \$10,000 and imprisoned for up to two years, or both, for a criminal violation.

## REPORTING LINKS AND FAQ:

Reporting current is available through the following website: <https://www.fincen.gov/boi>.

FinCEN has provided some direction and answered questions posed by the financial and legal communities at the following website: <https://www.fincen.gov/boi-faqs>.

Please contact your McMillan Metro Faerber, P.C. Law Firm attorney if you have any additional questions regarding your Company's reporting obligations or to discuss the process of compliance. Standard Billing Rates will apply.