

Corporate Transparency Act: What Businesses Need to Know



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In January 2021, Congress enacted the Corporate Transparency Act (CTA) in order to protect the United States financial system from being used for money laundering and/or other illicit activities. Oftentimes when these illegal activities are occurring, the perpetrators, also known as “bad actors,” are not using their own names to conduct the schemes but rather use the shield of a corporation or an LLC. Because law enforcement had difficulty uncovering these bad actors, Congress enacted the CTA to attempt to prevent and identify illegal activities.

Beginning on Jan. 1, 2024, all entities formed or registered to do business in the United States will need to either submit a beneficial ownership information (BOI) report to the U.S. Treasury’s Financial Crimes and Enforcement Network (FinCEN) or confirm they qualify for an exemption from the CTA’s reporting requirements. Here’s what businesses need to know:

What entities are required to file a BOI?

Reporting companies are defined as corporations, limited liability companies, or other entities that were created or registered to conduct business in the U.S. by the filing of a document with the Secretary of State.

What entities are exempt from CTA reporting?

Exempt entities include:

- Large operating companies – entities that (1) employ more than twenty full-time employees in the United States, (2) have an operating presence at a physical office within the United States, and (3) have filed a federal income tax or information return in the United States for the previous year demonstrating more than \$5 million in gross receipts or sales on the entity’s IRS Form 1120 or other applicable IRS form, excluding gross receipts or sales from sources outside of the United States;
- Governmental authorities and the Security Exchange Commission (SEC); and
- Banks, credit unions, money service businesses, investment advisors, security brokers and dealers, tax-exempt entities, entities assisting tax-exempt entities, insurance companies, state-licensed insurance producers, pooled investment vehicles, public utilities, inactive entities, subsidiaries of certain exempt entities, accounting firms and entities subject to regulatory oversight.

What is required to be filed by nonexempt entities?

- An entity created before Jan. 1, 2024, must file a BOI report before Jan. 1, 2025.
- A domestic reporting company created on or after Jan. 1, 2024, is required to file a report within thirty calendar days of either notice that it was approved through the Secretary of State.

What information is reported?

All domestic reporting companies will be required to file information about the reporting company which includes:

- Full legal name of reporting company;
- Any trade name or “doing business as” (“d/b/a”) name;
- Complete address of the principal place of business;
- The state of formation; and
- The IRS Taxpayer Identification Number (TIN) (including an Employer Identification Number (EIN)).

A domestic reporting company will also be required to provide information about each of the individuals who are the company’s beneficial owners and applicants, including:

- Full legal name
- Date of birth
- Complete current address
- Unique identification number (includes a non-expired passport, driver's license, and state issued identification card)
- Image of the document that provides the unique identification number

If a company was created before Jan. 1, 2024, it will not be required to provide information about the company applicant. A domestic reporting company will be required to update the report with FinCEN within thirty days of the change or knowledge of a necessary correction.

Businesses that qualify as reporting entities should evaluate their compliance now to ensure disclosures are made in a timely manner to avoid civil or criminal penalties.

To learn more, review the final rule codified at [31 CFR 1010, Sec. 1010.380](#) and which can be found in the [Federal Register, 87 FR 59498](#).