

# **CORPORATE TRANSPARENCY ACT (“CTA”)**

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**THE U.S. DEPARTMENT OF THE TREASURYS FINANCIAL  
CRIMES ENFORCEMENT NETWORK**



The reporting requirement is effective on January 1, 2024. FinCEN will begin accepting beneficial ownership information reports on that date.



### INITIAL REPORTS

Required by all companies that meet the definition of **reporting company** and are not **exempt** from that definition.



#### **Existing reporting companies**

*Created or registered to do business in the United States before January 1, 2024.*  
Reports due by **January 1, 2025**.



#### **New reporting companies**

*Created or registered to do business in the United States on or after January 1, 2024.*  
Reporting companies created or registered **on or after January 1, 2024** and **before January 1, 2025**, have **90 calendar days** after receiving actual or public notice that their company's creation or registration is effective to file their initial BOI reports.  
Reporting companies created or registered **on or after January 1, 2025**, will have **30 calendar days** from receipt of actual or public notice that their creation or registration is effective to file their initial BOI reports.



### EQUITY, STOCK, OR VOTING RIGHTS

any interest classified as stock or anything similar, regardless whether it confers voting power or voting rights, and even if the interest is transferable

**EXAMPLES** include:

- equity, stock, or similar instrument
- preorganization certificate or subscription
- transferable share of, or voting trust certificate or certificate of deposit for, an equity security, interest in a joint venture, or certificate of interest in a business trust



### CAPITAL OR PROFIT INTEREST

any interest in the assets or profits of a company organized as an LLC, which is similar to stock in a corporation and sometimes referred to as a 'unit'



### CONVERTIBLE INSTRUMENTS

any instrument convertible into **equity, stock, or voting rights** or **capital or profit interest**, whether or not anything needs to be paid to exercise the conversion. The **RELATED** items are also ownership interests:

- any future on any convertible instrument
- any warrant or right to purchase, sell, or subscribe to a share or interest in **equity, stock, or voting rights** or **capital or profit interest**, even if such warrant or right is a debt



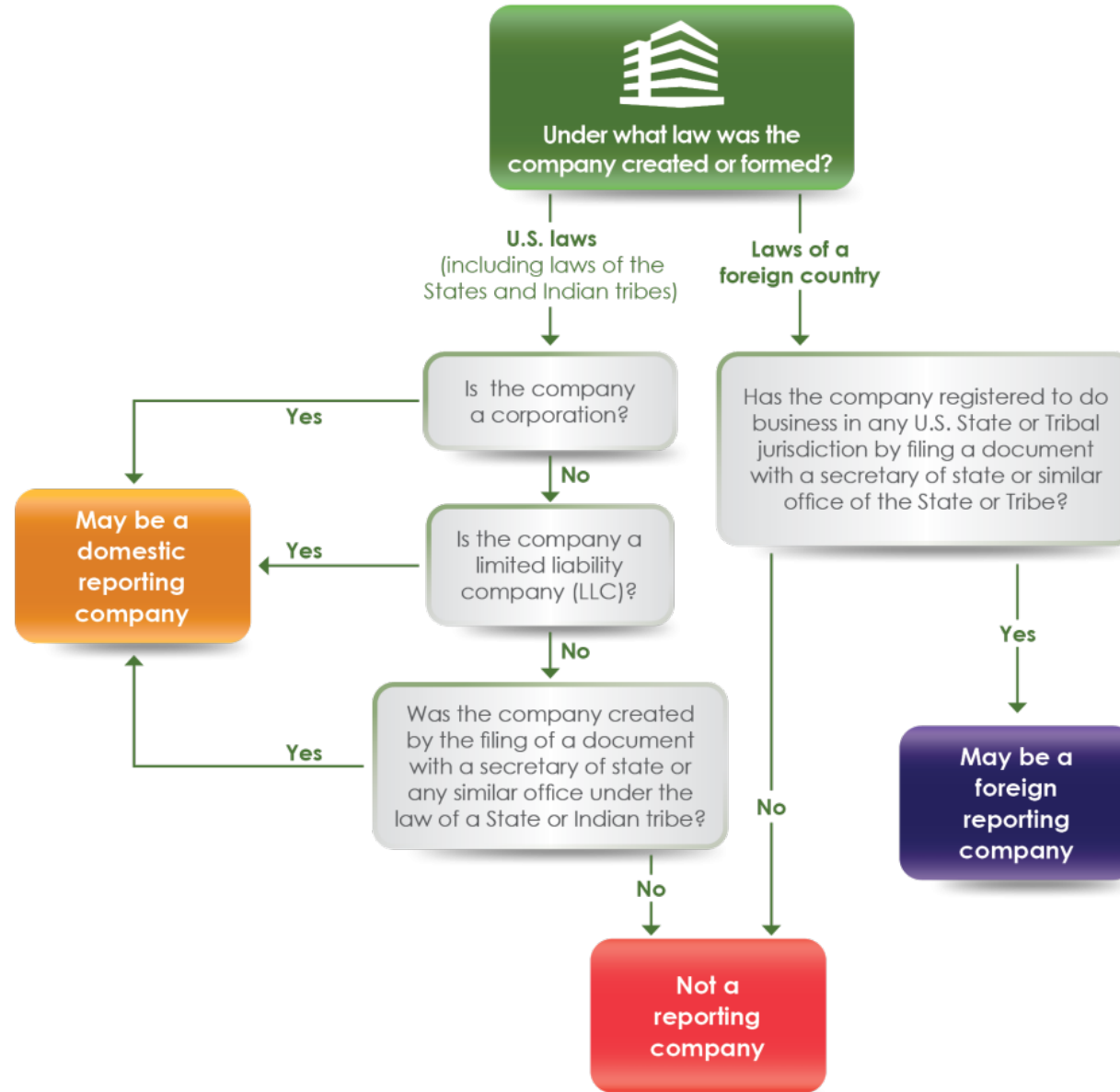
### OPTION OR PRIVILEGE

any put, call, straddle, or other option or privilege of buying or selling **equity, stock, or voting rights, capital or profit interest, or convertible instruments**, EXCEPT if the option or privilege is created and held by others without the knowledge or involvement of the reporting company



### CATCH-ALL

any other instrument, contract, arrangement, understanding, relationship, or mechanism used to establish ownership



# Purpose of CTA:

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- The goal of the Corporate Transparency Act (“CTA”) is to combat terrorism and money laundering. This Act was adopted in a bi-partisan vote in January 2021 in a National Defense Act.
- **Why?** Pressure from the international community to fight tax fraud, terrorism, and money laundering.

# Reporting Requirements:

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## **1. Existing Companies**

- Entities created or registered to do business in the United States before January 1, 2024, must file Beneficiary Ownership Information by January 1, 2025. Business entities filed with the Secretary of State's Office or equivalent have filing requirements

## **2. Newly Created or Registered Companies:**

- Reporting companies created or registered to do business in the United States in 2024 must within 90 calendar days to file after they receive their actual or public notice that their company's creation or registration is effective.

## **3. Reporting Companies After January 1, 2025**

- A reporting company created or registered after January 1, 2025, will have 30 calendar days to file after receiving actual or public notice that its creation or registration is effective.

# What is a Reporting Company?

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- A reporting company is any business entity such as a limited liability company, corporation, limited partnership, or similar entity that was created in the United States by the filing of a document with a secretary of state or similar office.

# Who is Exempt From Filing?

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- 1. Medium-Sized Companies**
  - 20 or more employees
  - \$5 million in gross receipts or sales
- 2. Public Companies/Disclosure Rated Companies or Entities**
  - Companies with disclosure and reporting requirements under federal securities laws.
  - Government Authority Issued Entities
  - Bank
  - Credit Union
  - Broker or Dealer in Securities
  - Investment Company or Investment Advisor
  - Insurance Company
  - Public Accounting Firm
  - Tax-Exempt Entity
- 3. Certain Types of Trusts (not registered with the State)**
  - Revocable Living Trust & Irrevocable Trusts (unless they own a business entity as defined in #1)
- 4. Sole Proprietorship not registered with Secretary of State's Office (anywhere in U.S.)**



# Filing Information:

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## 1. Where to file Beneficiary Ownership Information?

- <https://www.fincen.gov/boi>

## 2. How Often Must Businesses File?

- No annual requirement.
- Filing once is sufficient unless amendment in your business entity where disclosure is required.

## 3. What information is reported?

- Full Legal Name, Date of Birth
- Any trade or “doing business” name.
- Complete current street address or principal place of business
- Tax identification Number (i.e. EIN) or Unique Identifying Document (Passport, Drivers License, State or Local document)
- (Passport, Drivers License, State or Local document)

# Three Part System for Disclosure:

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1. Reporting Company Identification
2. Company Applicants
3. Beneficial Owners

# 1. Reporting Company Identification

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## **What is a Reporting Company?**

- A reporting company is any business entity such as a limited liability company, corporation, limited partnership, or similar entity that was created in the United States by the filing of a document with a secretary of state or similar office.

# 2. Company Applicants

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## **Company Applicants**

- Identify individual applicants who helped form entity such as accountant, assistant to accountant, attorney, paralegal, etc.
- A Company applicant is the individual who directly files the document that creates the reporting company and the individual who is primarily responsible for filing of the reporting company.

# 3. Beneficial Owners

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## **Beneficial Owners**

- Beneficial owners of entities (or trusts) that own business entities

### **Who is a Beneficial Owner?**

- A beneficial owner is an individual who either directly or indirectly: (1) exercises **substantial control** (see Question D.2) over the reporting company, or (2) owns or controls at least 25% of the reporting company's ownership interests (see Question D.4).

# What is Substantial Control?

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An individual can exercise substantial control over a reporting company in four different ways. If the individual falls into *any* of the categories below, the individual is exercising substantial control:

- The individual is a **senior officer** (the company's president, chief financial officer, general counsel, chief executive officer, chief operating officer, or any other officer who performs a similar function).
- The individual has **authority to appoint or remove** certain officers or a majority of directors (or similar body) of the reporting company.
- The individual is an **important decision-maker** for the reporting company.

# Penalties for Non-Compliance:

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- Imposes steep civil and criminal penalties with up to \$500 per day fine until the violation is corrected. Up to \$10,000 penalty and two-year imprisonment.