

Federal Corporate Transparency Act

What You Need to Know



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What is the Corporate Transparency Act (CTA)?

In September of 2022, the U.S. Treasury Department's Financial Crimes Enforcement Network (FinCEN) issued new requirements under the Corporate Transparency Act (CTA), which was designed to fight money laundering by mandating that all U.S. formed and certain international entities submit complete reports of their beneficial owners' and company applicants' personal identifiable information.

These new requirements will take coordination and effort from every business entity to ensure compliance. This is an ongoing reporting obligation for all businesses that are subject to the reporting requirements of the CTA.

What businesses are subject to the CTA?

There are a wide range of entities that are subject to the CTA:

- U.S. corporations and LLCs,
- Other U.S. entities, such as limited partnerships and limited liability partnerships,
- Business trusts/statutory trusts,
- Non-U.S. corporations, LLCs, and other similar entities that are registered to do business in the U.S. through a Secretary of State filing.

The CTA exempts 23 types of companies from the reporting requirements. The exemptions are largely for entities that are already subject to state or federal reporting requirements, such as banks, governmental authorities, the SEC, credit unions, money service businesses, investment advisors, insurance companies, public utilities, and accounting firms.

However, the most important exemption is the exemption for a 'large operating company.'

The 'Large Operating Company' Exemption

Entities meeting all of the following criteria are considered a 'large operating company' and are exempt from these CTA reporting requirements.

- Employ more than 20 full-time employees in the U.S.;
- In the previous year, filed a U.S. federal income tax return demonstrating more than \$5 million in gross receipts or sales from U.S. sources; and
- Have an operating presence at a physical office in the U.S.

What information must be reported?

Each reporting company must report the following with FinCEN:

- Entity name, including any alternatives to the trade name or the d/b/a names;
- Company's physical street address;
- Jurisdiction in which the company filed its formation documents;
 - Foreign entities must report on the state or tribal jurisdiction of their business registration; and
- The business' TIN, EIN, LEI, etc. It must be a unique identification number.

In addition to all of the above, company beneficial ownership information and company applicant information must also be reported. The reporting company must report the following with FinCEN for each beneficial owner and company applicant:

- Full legal name, which must match an ID or passport;
- Date of birth;
- Current **residential** address (beneficial owners) / business street address (company applicants); and
- A unique identifying number, which include state-issued IDs or passports, and images of those documents.

Updating reporting information

If there are any changes in the identities of beneficial owners, or to any of their beneficial ownership information, an updated report must be filed within 30 days of the change. This is an ongoing reporting obligation for all qualifying entities and their owners, and companies must keep their attorneys informed about any changes that occur to beneficial ownership or their address, jurisdiction, entity name or other information.

When are the filing deadlines?

The reporting requirements will be phased-in in two stages:

- Reporting companies that were created prior to January 1, 2024 must file no later than **January 1, 2025**.
- Reporting companies created on or after January 1, 2024 must file **within 30 days** of registering as a business entity.

How should businesses file the reporting requirements to FinCEN?

Filing will be done via a web portal at fincen.gov, although at the time of this alert's publication, it is not yet live.

Penalties

Penalties for willfully violating the CTA's reporting requirements include:

1. Civil penalties of \$500 per day that a violation is not remedied;
2. A criminal fine of up to \$10,000; and/or
3. Imprisonment of up to two years.

How can Meyer, Unkovic & Scott help?

These requirements can be a challenge if your business' records are not in order. To avoid errors and delays, we recommend you start considering these requirements and preparing the relevant information now, as well as the process to update records as changes occur. We can help you understand the reporting requirements for your entity and ensure that you are in compliance.

While the FinCEN web portal is not yet operational, please contact any Meyer, Unkovic & Scott attorney with whom you have worked to begin preparing the necessary documentation for easier filing when the web portal goes live.

To learn more, please contact Patricia Farrell at pef@muslaw.com or 412.456.2831; Amanda M. Daquelente at amd@muslaw.com or 412.456.2845; or Alexis K McGann at akm@muslaw.com or 412.456.2846.