

THE CORPORATE TRANSPARENCY ACT (CTA)

The Corporate Transparency Act (CTA) became effective on January 1, 2024. Almost all companies are affected by this new Act including new corporations, a limited liability company (LLC), a limited partnership and any entity whose has been created by a filing with a Secretary of State in any state. Those affected must file with the Financial Crimes Enforcement Network (FinCEN). The CTA will catch and require reporting from almost every small family business, including LLCs and other entities designed to hold only real estate. Even the single-member LLCs, which are “disregarded” for income tax purposes, must file reports with FinCEN under the CTA.

This filing will require the business name, current address, state of formation and tax identification number for the entity. The filing will require the name, birth date, address, and a copy of a government-issued photo ID such as a driver’s license or passport of every direct and indirect owner. There are severe penalties for failure to comply with this regulation.

Also required is information on all “beneficial owners.” A company can have more than one beneficial owner. The following is the information required for each beneficial owner:

- Full legal name (not just initials)
- Date of birth
- Home address (not P.O. Box or adviser/lawyer’s address)
- Photocopy (PDF) of the individual’s U.S. passport or driver’s license

A beneficial owner owns *or controls* at least 25% of the interests of a reporting company. A reporting company could have one beneficial owner who both exercises substantial control and owns or controls at least 25% of the ownership interest of the reporting company. There is no maximum number of beneficial owners.

Reporting companies must file a report for companies that are in existence on January 1, 2024. Initial reports are due by Jan. 1, 2025. For new entities created on or after Jan. 1, 2024, the initial reports are due within 90 days from the formation date.

My firm is continuing to monitor this and will continue to expand our knowledge on this critical issue to help prepare the necessary forms needed to comply with this new Act.

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