LEGAL MINUTE

What Businesses Need to Know About Complying with the Corporate Transparency Act

EVERYONE should check to see if their business or entity is subject to the Corporate Transparency Act requirements discussed here!

Who must report?
The CTA obligates "reporting companies" to file BOI Reports, which are defined as a corporation, limited liability company or other similar entity that is created by the filing of a document with a secretary of state or any similar office under the law of a State or Indian tribe. BOI Reports must be filed that include information on the (i) company applicant(s) and (ii) beneficial owner(s).

Who is a company applicant?
The company applicant is the person who directly filed the document -- this could be a lawyer, a paralegal, an accountant--anyone who did the actual formation of the entity. Note that FinCEN does not require reporting companies formed before January 1, 2024 to report company applicant information.

Who is a beneficial owner?
A "beneficial owner" is any individual who, directly or indirectly, (i) exercises substantial control over a reporting company or (ii) owns or controls at least 25% of the ownership interests of a reporting company.

What information must be reported?
For the Reporting Company: full legal name and any trade name or "doing business as" (DBA) name; current U.S. address of its principal place of business or current address where it conducted business in the U.S. if its principal business is outside the U.S.; jurisdiction of formation or registration; and IRS Taxpayer Identification Number (TIN).
For each Company Applicant and each Beneficial Owner: full legal name; date of birth; current residential address; and unique identifying number and issuing jurisdiction from an acceptable identification document (i.e. U.S. Passport or driver's license).

When do I need to report?
Reporting companies existing prior to January 1, 2024 will have until January 1, 2025 to make an initial report. Any reporting company formed between January 1, 2024 and December 31, 2024 is required to make an initial report to FinCEN within 90 days of notice of formation or registration. Any reporting company formed or registered on or after January 1, 2025 is required to make an initial report within 30 days of notice of formation or registration.

All companies should evaluate their corporate governance structures and determine if any changes may want to be made. Any reporting company will need to put in place compliance procedures for filing these reports and also updating them as necessary. Compliance is also particularly important given the severity of the penalties. The knowing failure to provide complete or updated information or willfully providing false or fraudulent information is punishable by civil penalties of $500/day and possible criminal penalties of up to two years in prison.

THIS INFORMATION IS NOT PROVIDED WITH THE INTENT TO ESTABLISH AN ATTORNEY-CLIENT RELATIONSHIP OR TO PROVIDE SPECIFIC LEGAL ADVICE TO YOU. DUE TO THE RAPIDLY CHANGING NATURE OF THE LAW, INFORMATION CONTAINED IN THESE MATERIALS MAY BE OUTDATED. TO OBTAIN ACCURATE AND RELIABLE LEGAL ADVICE REGARDING YOUR SITUATION, CONTACT AN ATTORNEY.



ATTORNEY NICOLE MARKLEIN

CROSS JENKS MERCER & MAFFEI LLP
221 THIRD AVENUE P.O. BOX 556
BARABOO, WI 53913
TEL: 608-356-3981
EMAIL: NMARKLEIN@CJMMLAW.COM

Cross Jenks Mercer & Maffei LLP
ATTORNEYS SINCE 1889