

# The Corporate Transparency Act: How it Will Affect Your Business and Steps to Take Now

The new [Corporate Transparency Act \(CTA\)](#) will go into effect beginning **Jan. 1, 2024**, and will significantly impact many United States corporations and limited liability companies – potentially even community associations or homeowner associations.

## What is the CTA?

The CTA is a U.S. Federal Law that was enacted to enhance corporate transparency through the disclosure of a business's beneficial ownership to discourage money laundering, fraud and other illicit activities often perpetrated through anonymous entities. The CTA will require certain corporations and limited liability companies to report their beneficial ownership information to the Financial Crimes Enforcement Network (FinCEN) or face stiff penalties.



The CTA applies even to closely held and disregarded LLCs.

## Which Entities Must File Beneficial Ownership Information Under the CTA?

Any entity registered to do business, or organized with a U.S. state or Native American Tribe, must comply with the CTA. This includes corporations, LLCs, LLPs, LLLPs, LPs, non-profit corporations and business trusts as well as any other entity that is created by the filing of a document with the Secretary of State or Native American Tribe.

## Are there Exemptions?

Non-profit entities, large operating entities and entities operating in highly-regulated industries (e.g. banks and CPA firms) are exempt from reporting. A large operating entity must have at least 20 full-time employees **AND** tax returns showing more than \$5 million in gross receipts or sales to be exempt. As such, most LLCs—even if closely held—must report under the CTA. All other entities must register their beneficial owners with FinCEN.

### Who is Considered a Beneficial Owner?

Under the CTA, a beneficial owner is an individual who directly or indirectly, through any contract, arrangement, understanding or relationship exercises “substantial control” over a reporting company OR owns or controls 25% or more of the “ownership interests” of a reporting company.

Willful failure to report under the CTA could result in penalties of \$10,000 to \$250,000 and imprisonment.



### What are the Penalties for Failing to Report?

Willful failure to report under the CTA may result in:

<b>Civil penalties:</b>	Up to \$500 per day with a maximum of \$10,000
<b>Criminal penalties:</b>	In more serious cases, willful violations of the CTA can lead to criminal charges. If convicted, individuals could face fines of up to \$250,000 or imprisonment for up to two years, or both.

### When Does Compliance Begin?

Reporting opens on **Jan. 1, 2024**. Entities created before the end of 2023 will have until **Jan. 1, 2025**, to report beneficial owners. However, an entity that makes changes to its beneficial owners in 2024 should report those changes within 30 days of the change. For companies registered or created after **Dec. 31, 2023**, reporting must occur within 90 days of the entity’s organization. For entities organized in 2025 and going forward, registration must occur within 30 days.

### We Can Help

Parsons is able to assist clients with registration and ongoing compliance required under the CTA. We have developed an integrated registration process and a dedicated team to assist our clients in compliance and maintenance.

To engage Parsons to assist in compliance, please reach out to the attorney you routinely work with, or, if you would like to contact the [CTA Team](#) directly call (406) 317-7220 or send an email to [cta@parsonsbehle.com](mailto:cta@parsonsbehle.com).

Please let us know how we may assist you.