

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

The new [Corporate Transparency Act \(CTA\)](#) went into effect on **Jan. 1, 2024**, and significantly impacts 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 requires 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:

Civil penalties:	Up to \$500 per day with a maximum of \$10,000
Criminal penalties:	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 opened on **Jan. 1, 2024**. Entities created before the end of 2023 will have until **Jan. 1, 2025**, to report beneficial owners. 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.

Applying for a FinCEN ID

The FinCEN ID application form can be accessed at: fincenid.fincen.gov/landing. The ID will be used to report you as a beneficial owner of the entity and will be needed in a variety of different contexts.

To apply, you will need to provide your full legal name, date of birth, complete current address, and one of the following: **(1)** U.S. passport, **(2)** identification document issued by a State, local government, or Indian Tribe issued for the purpose of identifying the individual; **(3)** State-issued driver’s license; or **(4)** if none of **(1)-(3)** are available, a foreign passport. You will need to upload a scanned image of whichever form of identification you choose to provide. It should only take a few minutes to submit the application and receive your FinCEN ID.