

# Corporate Transparency Act Compliance

The Corporate Transparency Act (CTA) will go into effect on January 1, 2024. The CTA will require most limited liability companies (LLCs), corporations and other entities formed or registered to do business in the U.S. to file Beneficial Ownership Information (BOI) reports with the federal government.

This new federal law is anticipated to impact about 32.6 million small and medium-sized businesses in unregulated industries during its first year. The CTA was enacted with the intent to combat money laundering and illicit activities.

A BOI report includes information about (1) the entity, (2) its beneficial owners, and (3) the company applicants.

Failure to comply with the CTA reporting requirements could result in civil penalties of \$500 per day for each day a violation continues or criminal penalties, including up to 2 years imprisonment and/or a fine up to \$10,000.

Certain entities in highly regulated businesses with existing reporting requirements such as banks, registered securities entities, insurance companies, etc. are exempt from the reporting requirement under the CTA.

The U.S. Department of the Treasury Financial Crimes Enforcement Network (FinCEN) will manage the reporting program. Although data collected will reside with this public agency, the CTA allows for beneficial ownership and related information to remain private.

The CTA will require ongoing reporting. Ownership changes and other corporate updates must be reported timely after the initial filing is complete. Noncomplying entities may likely find it difficult to open or even maintain bank accounts in the U.S. To avoid any potential issues following non-compliance, companies should review their business structure in consultation with an attorney and determine whether the CTA applies.

Members of Plunkett Cooney's Business Law Department are well-prepared to assist LLCs and other corporate entities with meeting the regulatory compliance requirements. Depending on the complexity of the entity involved, reporting may be relatively simple and straightforward or extensive and time consuming. For this reason, we recommend the assistance of an attorney.