

Corporate Transparency Act: New Reporting Requirements for Small Businesses

The Department of Treasury is working to fight corruption by implementing the Corporate Transparency Act, enacted as part of the Anti-Money Laundering Act of 2020, which aims to establish a central registry of individuals who own or control small businesses.

Financial Crimes Enforcement Network (FinCEN) recently issued a final rule requiring certain entities to file with FinCEN reports that identify the Reporting Company and two categories of individuals: the Beneficial Owners of the entity, and the Company Applicant. The Company Applicant is the individual that filed an application (most commonly with the secretary of state) to create the entity or register it to do business in the United States. A Beneficial Owner is an individual who directly or indirectly exercises substantial control over the Reporting Company or owns or controls at least 25% of the ownership interest of the Reporting Company.

There are exception categories for entities, but generally legal entities such as corporations, limited liability companies, and partnerships are defined as Reporting Companies.

A Reporting Company must provide the following:

- Entity name
- Business Street Address
- Jurisdiction of Formation
- Tax Identification Number or Employer Identification Number
- Beneficial Owners
- Company Applicants (if entity is created on or after January 1, 2024)

Each Beneficial Owner and Applicant must provide:

- Full Legal Name
- Date of Birth
- Current Address
- Unique Identification Number (such as from a non-expired driver's license or passport)
- Copy of driver's license or passport containing the unique identification number provided



Reporting Entities that are formed before January 1, 2024, must report to FinCEN no later than January 1, 2025. Reporting Entities formed on or after January 1, 2024, must report to FinCEN within 30 days of formation. The rule imposes penalties for late filings and failure to file. Small businesses will also be subject to ongoing reporting requirements if there is a change in any of the information originally reported to FinCEN. If you have questions or concerns about how the Corporate Transparency Act may affect your small business, please contact your legal counsel.

The opinions and other information in the commentary are provided as of November 8, 2023. This summary is intended to provide general information only, and may be of value to the reader and audience.

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