

A federal law takes effect on January 1, 2024 that will impose new reporting requirements on most corporations, limited liability companies and limited partnerships.

The Corporate Transparency Act (“CTA”), which is part of the Anti-Money Laundering Act of 2020, is intended to combat the use of U.S. shell companies for money laundering, terrorism financing, and other financial crimes. The CTA requires all “reporting companies” to report certain personal information about its beneficial owners to the U.S. Treasury Department’s Financial Crimes Enforcement Network (“FinCEN”).

Reporting companies formed before January 1, 2024 have until January 1, 2025 to file initial reports. Reporting companies formed in 2024 must file initial reports within 90 days of formation. Beginning January 1, 2025, initial reports must be filed within 30 days of formation.

While there are 23 listed exemptions from being considered a “reporting company,” your company is most likely subject to the reporting requirements unless it is publicly traded, a non-profit, or satisfies the large operating company exemption (which applies to entities that (A) have more than 20 employees in the United States, (B) have a physical office in the United States, and (C) filed a federal income tax or information return in the United States for the previous year demonstrating more than \$5,000,000 in gross receipts or sales).

“Beneficial owners” for whom personal information must be reported includes all individuals who own at least 25% of or exercise substantial control over a reporting company. Failure to file initial or updated reports or otherwise comply with the CTA will carry both civil and criminal penalties.

Further information regarding the reporting requirement is available at <https://www.fincen.gov/boi>.

If you have any questions regarding the CTA or would like assistance complying with the CTA, please do not hesitate to contact the lawyers at McCandlish & Lillard.