

Corporate Transparency Act – FAQs

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What is the Corporate Transparency Act?

The Corporate Transparency Act (“CTA”) requires certain domestic and foreign companies to file information regarding their beneficial ownership, as defined in the CTA, with the U.S. Department of the Treasury’s Financial Crimes Enforcement Network (“FinCEN”). This includes disclosure of who created the entity or registered it to do business in the United States, who its “beneficial owners” are, and report changes to previously reported information. If your company is a “reporting Company” as defined in the CTA, then you will have to file a **Beneficial Ownership Information Report (“BOI Report”)** with FinCEN.

What is a “beneficial owner”?

As defined under the CTA, a beneficial owner is: (i) an individual who directly or indirectly exercises substantial control over a reporting company; or (ii) owns or controls at least 25% of the reporting company’s ownership interests.

What is a “reporting company”?

A reporting company includes any entity that was created by filing a document with a secretary of state or similar office of any state or tribe or a foreign company registered to do business in the U.S. Many emerging growth companies will meet the criteria to be a reporting company and will be required to file a BOI Report.

What are the exemptions?

There are 23 types of entities that are categorically exempt from being a reporting company under the CTA. A few categorical exemptions that are broadly relevant are listed below:

- Any company that has (i) more than 20 full-time employees in the United States; (ii) more than \$5,000,000 in gross receipts or sales in the United States; and (iii) an operating presence at a physical office in the United States;
- Any company that has issued securities registered under Section 12 of the Securities Exchange Act or that is required to file supplementary and periodic information under Section 15(d) of the Securities Exchange Act;
- Companies exempt from tax under Section 501(a) or 527(a) of the Internal Revenue Code.
- Certain highly regulated companies, e.g., insurance companies, public utilities, banks, or credit unions; or

- Wholly-owned subsidiaries of exempt entities.

The foregoing list should not be relied upon in determining whether or not a company is categorically exempt from having reporting obligations under the CTA.

How much time do I have to make a filing under the CTA?

Reporting companies formed in 2024 have 90 days from formation to file an initial Beneficial Ownership Information Report with FinCEN. After January 1, 2025, newly formed reporting companies will have 30 days from formation to file an initial Beneficial Ownership Information Report with FinCEN.

The deadline for reporting companies formed prior to January 1, 2024 to file an initial Beneficial Ownership Report is January 1, 2025.

What information needs to be filed?

A reporting company will need to report its name, business address, tax ID number, company applicants (if formed on or after January 1, 2024), and beneficial owners, including such beneficial owner's name, address and unique identifying number issued from an acceptable identification document, and an image of such identification document (i.e., a current passport or state ID). In lieu of providing identification documents with a BOI Report, beneficial owners may readily obtain a FinCEN ID that may be listed in a BOI Report.

What about the recent court ruling holding that the Corporate Transparency Act is unconstitutional?

On March 1, 2024, a federal district court in Alabama ruled that the CTA is unconstitutional and enjoined the U.S. Department of the Treasury from requiring the plaintiffs in that particular case from complying with the CTA. The court enjoined enforcement of the CTA against the plaintiffs, and as of March 4, 2024, the Treasury announced that it will not enforce the CTA against the individually named plaintiff, reporting companies for which such plaintiff is the beneficial owner, the National Small Business Association, or members of the National Small Business Association as of March 1, 2024.

It is possible that additional litigation may be filed that results in an injunction against enforcement of the CTA, but at present, if you were not a member of the National Small Business Association as of March 1, 2024, you should plan to make any filing required under the CTA.

What are the penalties if I don't file?

There is the potential for civil and criminal penalties, including a fine of up to \$10,000, imprisonment for up to two years, or both.

For more information on The Corporate Transparency Act, please contact Attorney [Dan Wilcox](#).