



# LEGAL ALERT

## United States Corporate Transparency Act Beneficial Ownership Reporting Requirements

This Legal Alert informs you of a new federal law called the Corporate Transparency Act (the “CTA”), which will impact almost all limited liability companies, corporations, limited partnerships, and other closely held entities. There are a few exceptions, generally for entities that are already subject to significant reporting requirements. The law becomes **effective January 1, 2024**.

The purpose of the CTA is to create a national database of companies in the U.S. that identifies the human beings who are owners or control persons of these companies. The law is part of an increasing effort to combat money-laundering, terrorism, tax evasion, and other financial crimes. Congress intended to try to help law enforcement by creating this national database of organizations that might be involved in such activities, but it will apply even if the entity is not so involved.

The Financial Crimes Enforcement Network (“FinCEN”), which is a bureau of the United States Treasury Department, will create and maintain this national database, which as of now will not be of public record but available to a variety of agencies and possibly others in the future. Under the CTA, all “reporting companies” will be required to file reports with FinCEN that provide certain information regarding the companies and “beneficial owners” of the companies.

The CTA will affect virtually all small family businesses, including even LLCs and other entities designed only to hold real estate. Even if an entity has only one owner and that entity is ignored for federal income tax purposes (such as a single-member LLC), that entity still will have to file reports with FinCEN. If you have any interest in a closely held entity, such as an LLC, corporation, or limited partnership, or if you exert significant control over any such entity (which might include any officer, director, manager, chief financial officer or investment trustee) then you may be subject to these requirements and responsible for filing reports with FinCEN.

For entities that already exist on January 1, 2024, initial reports are due by January 1, 2025. For entities created on or after January 1, 2024, initial reports are due within 30 days from the creation of the entity. As of now, there are no extensions available. There are stiff civil and criminal penalties for failing to file.

Given the difficulties of identifying all the entities and persons that will have to report, we suggest that you begin now to assemble a list of every privately held entity that you own an interest in or exert control over. You should try to obtain a copy of the certificate that filed with the state where the entity was formed as well. Because we may have formed entities years or decades ago, we may not have accessible records to identify all such entities. Also, you may have formed entities of your own or had other advisors form entities of which we are not aware.

**Importantly, we will not undertake to find these entities for you or to prepare the forms required to report to FinCEN unless you specifically engage us to do so. If you wish to engage us to help with this new requirement, we will then begin the process of determining if it is a reporting entity and whether you or someone else will assume responsibility for the reporting.**

As always, please contact us with any questions or concerns.