

Corporate Transparency Act in a Nutshell

In 2021, Congress passed the Corporate Transparency Act (CTA), which is designed to bring the U.S. into compliance with international anti-money laundering (AML) standards. The CTA is aimed at combatting anonymous shell companies and opaque ownership structures used to facilitate illicit financial activities in the U.S., such as money laundering and terrorist financing. Under the CTA, certain entities are required to report beneficial ownership information (BOI) to the Financial Crimes Enforcement Network (“FinCEN”) as of January 1, 2024.



Impact

In September 2022, FinCEN issued a [regulation](#) implementing the CTA’s BOI reporting provisions. Many companies created or registered to do business in the U.S. need to file reports with FinCEN and keep certain reported information updated.

You may need to comply with the CTA by gathering information on your company’s ownership structure to determine which entities, if any, may be subject to this reporting requirement. You may reach out to Deb Connor and Marc-Alain Galeazzi with any CTA-related questions:



[Deb Connor](#)



[Marc-Alain Galeazzi](#)



WHO Is Impacted?

The rule applies to reporting companies, of which there are two types.

- A **domestic reporting company** is a corporation, limited liability company (LLC), or other entity created by the filing of a document with a secretary of state or any similar office under the law of a state or Indian tribe.
- A **foreign reporting company** is a corporation, LLC, or other entity formed under the law of a foreign country that is registered to do business in any state or tribal jurisdiction by the filing of a document with a secretary of state or any similar office.

Subject to exemptions, this will include limited liability partnerships, limited liability limited partnerships, business trusts, and most limited partnerships.



WHO Is Exempt?

There are 23 types of entities that are exempt from the definition of “reporting company.” A list of exemptions is available on page 4 [here](#). Notable exemptions include those for:

- Regulated entities, such as those regulated by the Securities and Exchange Commission, Federal Deposit Insurance Corporation, or Comptroller of the Currency;
- Large operating companies, with more than 20 full-time U.S. employees, \$5 million in gross receipts or sales, **and** a physical U.S. office;
- Certain Subsidiaries whose ownership interests are controlled or wholly owned by certain exempt entities;
- Churches, charities, 501(c) nonprofit entities, and charitable trusts; and
- Certain inactive companies.

Some entities, such as certain trusts, will fall outside the scope of the rule.



WHAT Must Be Reported?

Beneficial Owners

A beneficial owner includes any individual who, directly or indirectly, either:

1. Exercises **substantial control** over a reporting company, or
2. Owns or controls at least **25% of the ownership interests** of a reporting company.

Substantial control is indicated by a range of factors and generally includes any individual who can make important decisions on behalf of the entity. Substantial control indicators are available on page 17 [here](#).

Ownership interests cover a wide range of ownership methods, including equity, profit interests, and convertible instruments. Ownership interest types are available on page 18 [here](#).

For the list of five exemptions from the definition of “beneficial owner,” see page 29 [here](#).

Company Applicants

The BOI rule defines a company applicant as the individual(s) who:

- Directly files the document that creates the entity or registers the entity to do business in the U.S.; or
- Is primarily responsible for directing or controlling the filing of the relevant document by another individual, if applicable.

Company applicants need to be reported only once; their information does not need to be updated. Reporting companies existing as of January 1, 2024 do not need to report their company applicants.

Reporting companies must submit identifying information on the reporting company itself, and on its beneficial owners and company applicants.

This information includes:

Reporting Company	Beneficial Owner/Company Applicant
Full legal name	Name
Trade name or DBA	Birth date
Principal place of business	Address
State or tribal jurisdiction of formation or registration	A unique identifying number from an acceptable identification document and the issuing jurisdiction (driver’s license, State ID, passport)
A Tax Identification Number (TIN), including an Employer Identification Number.	An image of such identification document

An individual or reporting company may apply for a FinCEN [identifier](#), which can then be provided to FinCEN in the future in lieu of the required information.



Changes or Corrections

Changes to reported information must be made within 30 days after the date the change occurred. The correction of inaccuracies must be made within 30 days of becoming aware or having reason to know of the inaccuracy. Reporting failures may accrue for individuals causing the failure or senior officers of the reporting company at the time.

FINAL NOTES

FinCEN released a reporting form and online submission system. All information received will be subject to strict confidentiality requirements, the parameters of which are [established](#) by rules.