

BUSINESS LAW UPDATE

January 30, 2024

THE CORPORATE TRANSPARENCY ACT IS HERE: THE TIME TO COMPLY IS NOW!

The Corporate Transparency Act “CTA” went into effect on January 1, 2024 and requires most businesses, whether organized and formed as a limited liability company “LLC”, corporation, partnership, or other company created by filing documents with a secretary of state or similar office, no matter the income tax treatment of the business, to report personal information about themselves and their owners to the U.S. Department of Treasury’s Financial Crimes Enforcement Network “FinCEN”. The individuals, known as Beneficial Owners and Company Applicants, required to provide personal information to FinCEN are (i) those individuals with substantial control over the company (ex. officers, managers, and directors); (ii) those who own or control at least 25% of the ownership of the business; or (iii) the person who files or directs the filing or registration of the business (ex. attorneys or accountants).

The CTA was enacted in 2021 and the stated purposes it “to protect the U.S. financial system from illicit use and impeding malign actors from abusing legal entities, like shell companies, to conceal proceeds of corrupt and criminal acts.” In other words, the CTA is aimed at reducing the use of entities and the banking system to launder money and evade taxes.

The CTA requires all corporations, LLCs, partnerships, and other legal entities formed or registered to do business by filing with a secretary of state or similar office in the U.S to disclose personal information about the Beneficial Owners and Company Applicants to FinCEN. All businesses are required to report, unless one of the 23 specific exemptions within the CTA are met. Exemptions exist for tax-exempt entities, publicly held companies, banks, highly regulated companies, and other larger businesses (based on # of employees and revenue).

Reporting companies created or registered to do business in the U.S. on or AFTER January 1, 2024 are required to file an initial Beneficial Ownership Information “BOI” Report through the FinCEN E-Filing system within 90 days of formation or registration, and any changes to the Beneficial Ownership Information must be reported to FinCEN within 30 days. As of now, entities formed after 2024 will have 30 days after formation or registration to file with FinCEN the BOI Report.

Reporting companies created or registered to do business in the U.S. BEFORE January 1, 2024 are required to file an initial BOI Report by January 1, 2025, and any changes to BOI must be reported to FinCEN within 30 days.

Failure to timely file the BOI Report, and report any subsequent changes, may result in both substantial civil (up to \$10,000) and criminal (not more than 2 years in prison) penalties.

BE PREPARED – All business owners should be aware of the CTA reporting requirements and how it impacts them, their business, and management team. The attorneys at Mawicke & Goisman, S.C. are available to assist you and your business to understand and meet the new reporting requirements contained within the CTA.

If you have any questions related to this information or any other business or tax law(s) that may affect your business, please contact William J. Morris, or another member of our team here at Mawicke & Goisman, S.C.

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