

[SAPC Header]

## Client and Friends Alert

### Corporate Transparency Act (CTA)

Briefly, recent legislation effective January 1, 2024, the Corporate Transparency Act (CTA), has expanded U.S. governmental money laundering enforcement through new reporting requirements that will affect an estimate 33 million small business. Money laundering laws are enforced by the Financial Crimes Enforcement Network (FinCEN) (<https://www.fincen.gov/>).

The new CTA Rules (<https://www.fincen.gov/boi>) require all small business entities (so-called “reporting companies”) to disclose their “beneficial owners”. A company “applicant “who makes the filing on behalf of the Reporting Company (e.g., one of its officers or attorneys) is also required to disclose its ownership. For established companies, the reports must be filed by January 1, 2025, giving established companies approximately one year to comply with these complex disclosure requirements. Newly established companies must make a disclosure within 90 days (in 2024) and thereafter within 30 days. The information is to be stored in a beneficial owner information (BOI) database. **Failure to comply with the CTA can trigger significant civil penalties (\$500 per day up to \$10,000) and up to two years of imprisonment.** Unauthorized use or disclosure of BOI can trigger up to \$250,000 in fines and up to five years’ imprisonment.

Companies faced with possible reporting requirements under the CTA must address a number of issues, among which are the following:

- i) Is the company a “reporting company”. These are generally defined as a domestic or foreign corporate entity that is either created by or registered to do business, respectively, by filing a document with a secretary of state or similar office in the U.S.
- ii) If so, does the company fall into one of 23 enumerated exemptions that include, e.g., public utilities, securities issuers, tax exempt entities, and subsidiaries of certain exempt entities?
- iii) If not, who are the “beneficial owners” of the company? These are generally defined as individuals who directly or indirectly exercise “substantial control” over the reporting company or who own or control at least 25% of its ownership interest. Among such beneficial owners are the company’s senior officers, important decision makers,

and others exercising any other form of “substantial control”, an amorphous concept requiring further review of the CTA rules and their related FinCEN explanations.

For assistance with CTA compliance, please contact us at [wsapronov@wstelecomlaw.com](mailto:wsapronov@wstelecomlaw.com) or by text at (770) 309-0462.