



New Corporate Reporting Requirements: Your Business May be Affected

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As you may know, congress recently passed the Corporate Transparency Act (**CTA**), which imposes new reporting and disclosure requirements on a broad range of businesses. This summary will explain the nature of these requirements and who is affected. If you have questions about whether you need to comply and how, please reach out to your TroyGould team.

What businesses are affected?

The CTA applies to all business entities organized or registered to do business in the U.S., unless a specific exemption applies. This includes corporations, limited liability companies, and limited partnerships.

Exemptions include large operating companies, public companies, inactive entities, and businesses in highly regulated industries (such as banks, financial institutions, and public utilities).

When do businesses need to start complying?

The new law will take effect on **January 1, 2024**. Reporting companies formed *before* this date must file an initial report no later than January 1, 2025. Reporting companies formed *after* this date must file an initial report within 30 days of formation or registering to do business in the U.S.

What information must be reported?

Businesses subject to the CTA must report basic identifying information about the entity and its “beneficial owners.” For purposes of the CTA, the term beneficial owner means the owner of a 25% or greater equity interest in the entity, or an individual who exercises “substantial control” over the entity.

It is important to note that the reported information is *not* publicly available. Rather, it is stored in a secure, non-public database.



What is the penalty for failing to comply?

Civil and criminal penalties for violations include fines of up to \$10,000, imprisonment for up to two years, or both, for any person who willfully fails to report complete or updated information as required, or provides or attempts to provide false or fraudulent information.

Why was this law passed?

The CTA is intended to serve a criminal law enforcement function. Enacted under the National Defense Authorization Act and administered by Department of the Treasury's Financial Crimes Enforcement Network (**FinCEN**), the law seeks to combat money laundering, terrorist financing, tax fraud, and similar offenses.

What's next?

FinCEN has provided that it plans to publish additional compliance and guidance documents as we move closer to the effective date.

About TroyGould

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