

Fennemore Notice to Clients – Corporate Transparency Act

You will likely be hearing much about the federal Corporate Transparency Act (the “CTA”) in 2024. Starting on January 1, 2024, the CTA is requiring every “reporting company” to file with the U.S. Department of the Treasury’s Financial Crimes Enforcement Network (“FinCEN”) a beneficial ownership information report (a “CTA Report”) containing information about the company as well as its key owners and decisionmakers. While there is unfortunately much that we still do not know about the implementation of the CTA’s reporting process, below are three important items to consider as you start planning for the CTA.

First, the CTA’s reporting requirements will apply only to a “reporting company,” which term the CTA defines generally to include any corporation, any limited liability company, and any other entity that is created by the filing of a document with a secretary of state or similar office under the laws of a state or an Indian tribe. However, the CTA expressly exempts many (but certainly not all) entities that would otherwise fall under the definition of a “reporting company.”

In addition, business associations (such as sole proprietorships and general partnerships) and trusts that are not formed pursuant to a state or tribal filing will also not be “reporting companies.”

Second, if your entity is a reporting company created before January 1, 2024, your entity’s initial CTA Report will need to be filed with FinCEN not later than January 1, 2025. Alternatively, if your entity is a reporting company created on or after January 1, 2024, your entity’s initial CTA Report will need to be filed with FinCEN within 90 days of its creation.

Third, once your entity has filed its initial CTA Report with FinCEN, you will not need to update that CTA Report on an annual or other recurring basis. However, you will need to file an updated or corrected CTA Report, as the case may be, within 30 days of any change to, or you becoming aware of or having reason to know of any inaccuracy in, your entity’s most recently filed CTA Report.

Our attorneys at Fennemore will be happy to assist you with analyzing whether your entity will be a reporting company subject to the CTA and, if so, what information will need to be included in your entity’s CTA Report. We also intend to work with one or more third-party CTA compliance vendors to develop means of compiling the necessary information for your entity’s CTA Report and then filing the completed CTA Report with FinCEN if you do not wish to do so by yourself. Please contact your attorneys at Fennemore to discuss how we can assist you with preparing for the CTA.

DISCLAIMER: The above alert does not constitute legal advice, and is based upon information known at the time this was written. You should consult with legal counsel about your particular situations, and decisions should be made based on a case-by-case basis.

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