

LEGAL ALERT

NEW U.S. BENEFICIAL OWNERSHIP REPORTING REQUIREMENTS START JANUARY 1, 2024

What Companies Must Know About the Corporate Transparency Act

Beginning January 1, 2024, millions of existing and new U.S. businesses will be required to report beneficial ownership and related information to the U.S. government under the Corporate Transparency Act (CTA). Congress passed the CTA in 2021 as part of ongoing efforts to combat money laundering, terrorist financing and other illegal financial activity.

To avoid potential civil and criminal penalties under the CTA, U.S. and non-U.S. businesses should evaluate all their related entities to determine whether they will be subject to the new reporting obligations and prepare to submit required reports before the applicable deadlines referenced in this note.

1. WHO IS SUBJECT TO THE NEW OBLIGATION?

Unless an exemption applies, the new reporting obligations apply to any existing or future corporation, limited liability company or other entity formed in or registered to do business in a U.S. State or Tribal jurisdiction (including both U.S. domestic entities and foreign entities that are registered to do business in the U.S.). There are 23 exemptions that primarily exclude publicly-traded companies, registered financial institutions and companies that have active operations in the U.S. above certain thresholds. Each exemption has detailed technical qualifications that must be met in order to qualify for the exemption. Businesses should carefully assess whether they meet the qualifications before relying on any exemption.

2. WHAT INFORMATION MUST BE REPORTED?

Businesses subject to the new requirement and which do not qualify for an exemption must file initial reports with the U.S. Treasury Department's



Financial Crimes Enforcement Network (FinCEN) and must also file certain updates and corrections. There is no annual filing obligation. Reportable information includes identifying information about the reporting entity, individuals who directly or indirectly own or control at least 25% of the ownership interests in the reporting entity, and individuals who exercise 'substantial control' over the reporting entity (such as senior officers), among other things.

3. WHEN MUST BUSINESSES FILE INITIAL REPORTS?

Different initial filing deadlines apply, depending on when the reporting entity is formed or registered to do business in the U.S.:

- Existing entities formed or registered before Jan 1, 2024, have until **Jan 1, 2025** to make their initial reports.
- New entities formed or registered to do business in the U.S. between January 1, 2024 and January 1, 2025 will have **90 days** from the date of formation or registration in the U.S. to make their initial reports.
- New entities formed or registered to do business in the U.S. on or after January 1, 2025 will have **30 days** to make their initial reports.



4. WHAT HAPPENS IF A BUSINESS FAILS TO REPORT?

Companies and individuals that willfully fail to file accurate reports may face civil and criminal penalties. Senior officers of a company that fails to file accurate reports may also face personal penalties. A person who willfully causes a company not to file or to report incomplete or false beneficial ownership information may also be subject to civil and criminal penalties.

We understand these new requirements are complex, and certain filing deadlines are rapidly approaching. If you have questions about the new reporting requirements or would like assistance in evaluating your company's obligations, please contact our Partner [Kristen N. Geyer](#) directly at kgeyer@cm.law or **512-964-8650**.



KRISTEN N. GEYER

*Partner & Government,
Regulatory and
Compliance
Practice Chair*

Kristen Geyer's senior-level experience has provided opportunities to serve clients in London, Brussels, Washington DC, New York and Texas as she has continued to grow her sophisticated international practice. A former Chief Compliance Officer and General Counsel of a global financial services group, she has worked with legal and compliance issues in more than 30 countries on financial services, commercial, technology, anti-money laundering and related matters. Her deep experience with global legal issues has given her the ability to quickly assess and understand the impact of legal challenges for her clients and to develop practical solutions in line with business objectives.

- ✉ **kgeyer@cm.law**
- ☎ **Toll Free: 1-844-285-4263 ext. 719**
Direct : 512-964-8650
- 📍 **Austin (Primary), Washington, DC**

