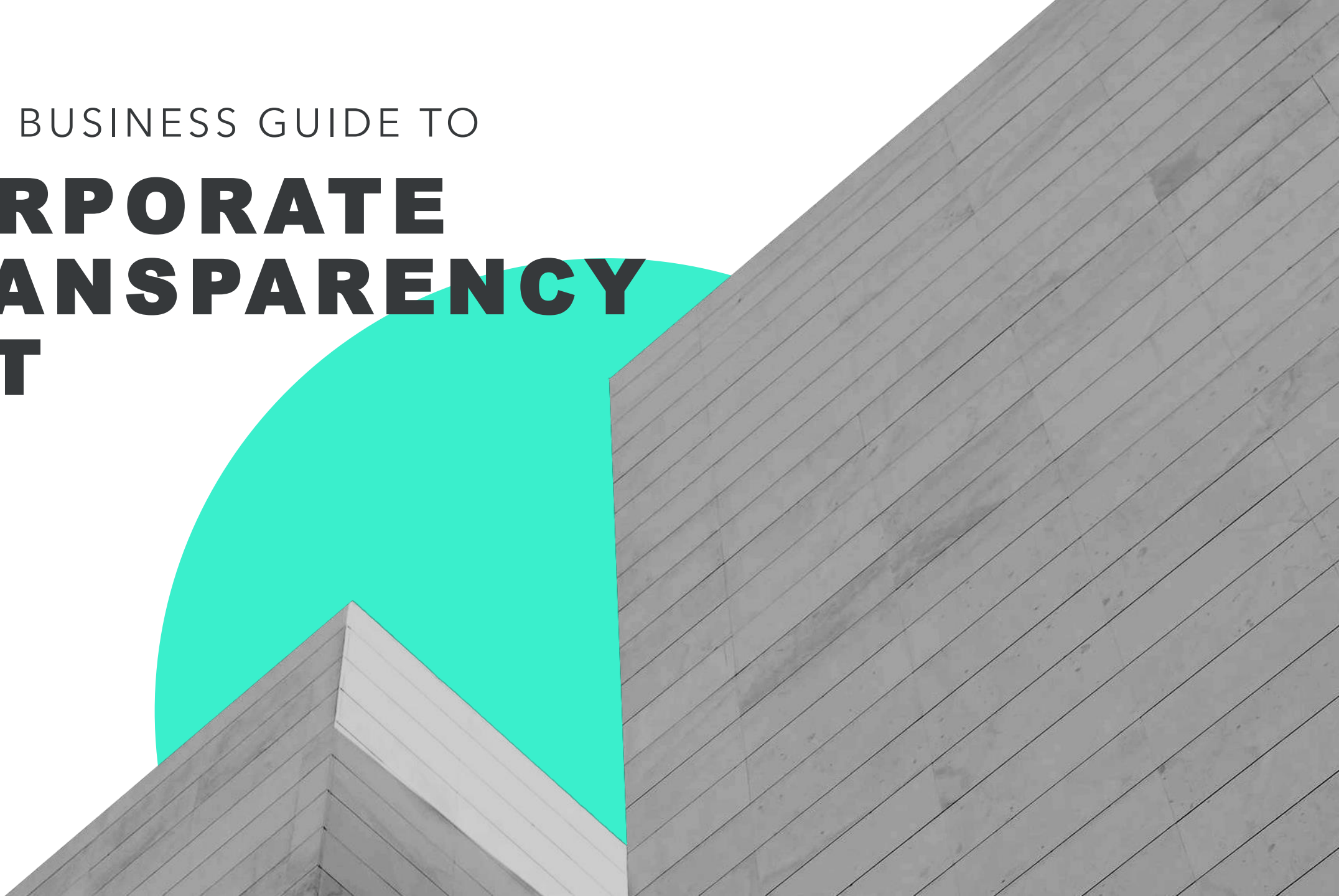


SMALL BUSINESS GUIDE TO

CORPORATE TRANSPARENCY ACT



BACKGROUND

The Corporate Transparency Act (CTA) is a federal law passed as part of the National Defense Authorization Act on January 1, 2021.

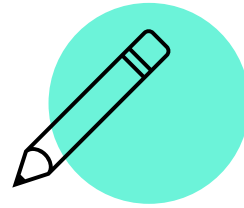
The purpose of the law is to prevent the use of business entities to conduct money laundering, terrorist funding, sex trafficking and other criminal activities.



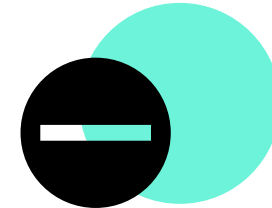
THIS PRESENTATION WILL



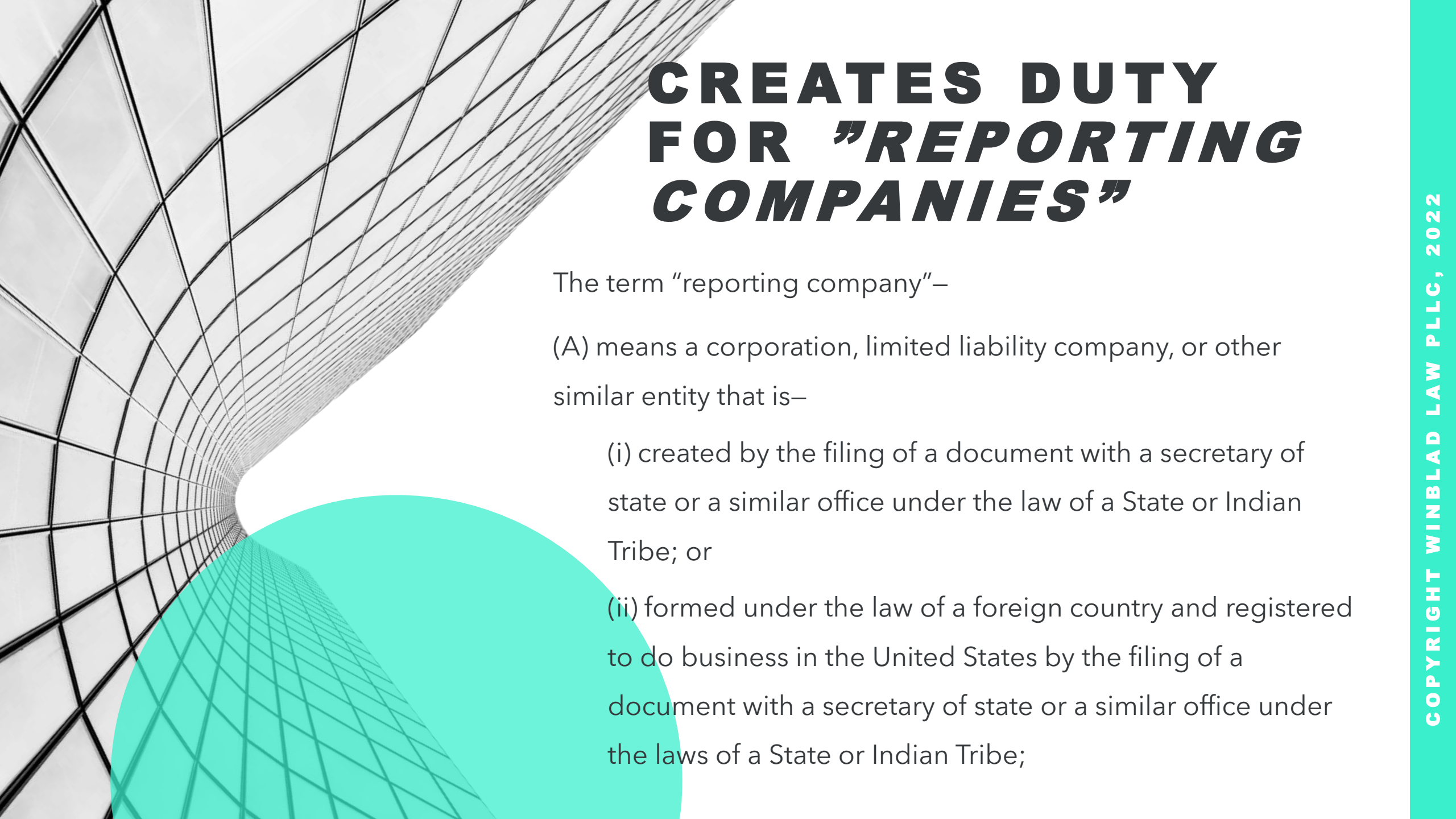
**IDENTIFY
ENTITIES THAT
MUST REPORT**



**DESCRIBE WHAT
MUST BE
REPORTED**



**DESCRIBE CIVIL
AND CRIMINAL
CONSEQUENCES
OF NON-
COMPLIANCE**



CREATES DUTY FOR “REPORTING COMPANIES”

The term “reporting company”—

(A) means a corporation, limited liability company, or other similar entity that is—

- (i) created by the filing of a document with a secretary of state or a similar office under the law of a State or Indian Tribe; or
- (ii) formed under the law of a foreign country and registered to do business in the United States by the filing of a document with a secretary of state or a similar office under the laws of a State or Indian Tribe;



Exemptions

- Companies subject to Security Exchange Commission Reporting,
- Commodity Exchange Act controlled companies
- Banks, Credit Unions, Insurance Companies, Investment Companies
- Tax-exempt entities
- Government authorities & Public Utility
- Large Operating Companies
- Some subsidiaries of exempt entities
- Inactive entities
- Public Accounting Firm



LARGE COMPANY EXEMPTION: AN ENTITY THAT

- I) employs **more than 20 employees** on a full-time basis in the United States;
- (II) filed in the previous year Federal income tax returns in the United States demonstrating **more than \$5,000,000 in gross receipts or sales** in the aggregate, including the receipts or sales of—
 - (aa) other entities owned by the entity; and
 - (bb) other entities through which the entity operates; and
- (III) has an operating presence at a **physical office within the United States;**

“

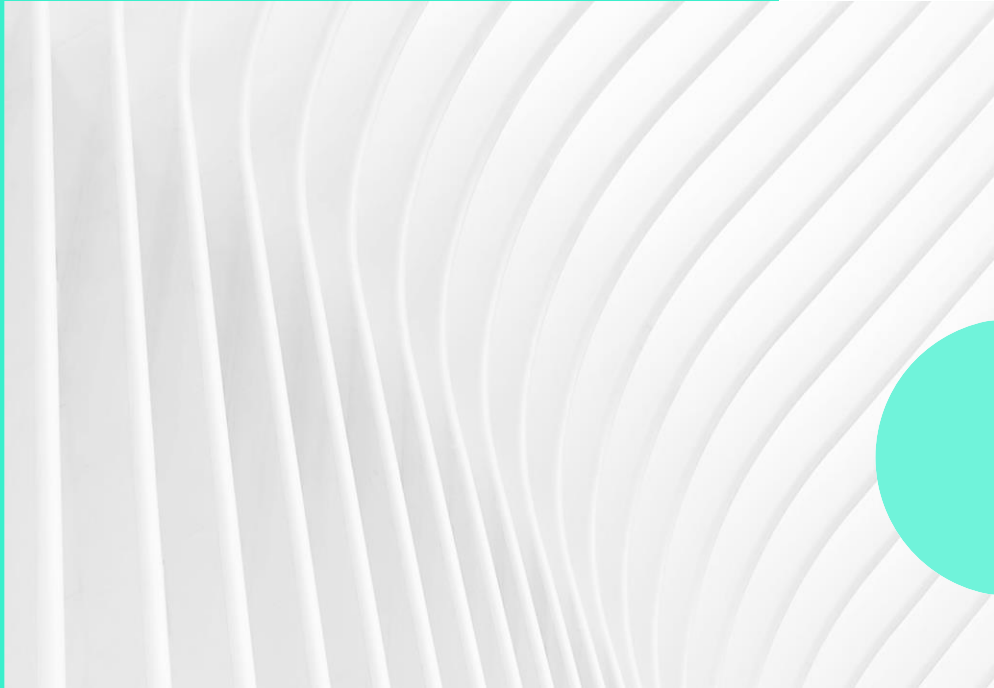
SUBSIDIARY EXEMPTION

”

Entities wholly owned by an exempt entity.



INACTIVE ENTITY EXEMPTION



- Company existed before January 1, 2020; &
- No longer engaged in active business; &
- Do not hold any assets; &
- Are not owned by a foreign person; &
- Ownership has not changed in the immediately preceding 12-month period; &
- Has not sent or received \$1,000 in the preceding 12-month period.

WHAT MUST BE REPORTED?

The Report must identify each beneficial owner of the applicable reporting company and each applicant with respect to that reporting company by–

(i) full legal name;

(ii) date of birth;

(iii) current, as of the date on which the report is delivered, residential or business street address; and

(iv) (I) unique identifying number from an acceptable identification document (gov't or tribal issued id, passport or driver's license with unique number); or

(II) FinCEN identifier in accordance with requirements in paragraph.



BENEFICIAL OWNER DEFINED

Beneficial owner.—The term “beneficial owner”—

(A) means, with respect to an entity, an individual who, directly or indirectly, through any contract, arrangement, understanding, relationship, or otherwise—

- (i) exercises substantial control over the entity; or
- (ii) owns or controls not less than 25 percent of the ownership interests of the entity;



BENEFICIAL OWNER *DOES NOT* INCLUDE:

- (i) a **minor child**, as defined in the State in which the entity is formed, **if the information of the parent or guardian of the minor child** is reported in accordance with this section;
- (ii) an **individual acting as a nominee**, intermediary, custodian, or agent on behalf of another individual;
- (iii) an **individual acting solely as an employee of a corporation**, limited liability company, or other similar entity and whose control over or economic benefits from such entity is derived solely from the employment status of the person;
- (iv) an **individual whose only interest** in a corporation, limited liability company, or other similar entity is **through a right of inheritance**; or
- (v) a **creditor of a corporation**, limited liability company, or other similar entity, unless the creditor meets the requirements of subparagraph (A).



APPLICANT INFORMATION



The term “applicant” means **any individual** who—

- (A) **files an application** to form a corporation, limited liability company, or other similar entity under the laws of a State or Indian Tribe; or
- (B) **registers or files an application** to register a corporation, limited liability company, or other similar entity formed under the laws of a foreign country to do business in the United States by filing a document with the secretary of state or similar office under the laws of a State or Indian Tribe.

WHO CAN ACCESS INFORMATION?



- a Federal agency engaged in national security, intelligence, or law enforcement activity, for use in furtherance of such activity; or
- a State, local, or Tribal law enforcement agency, if a court of competent jurisdiction, including any officer of such a court, has authorized the law enforcement agency to seek the information in a criminal or civil investigation;

WHO CAN ACCESS INFORMATION?



- Similar officials of a foreign country with whom a treaty exists
- Financial institution with consent of reporting company to meet due diligence requirements
- Regulatory agency
- Department of Treasury (IRS)

CRIMINAL & CIVIL PENALTIES



Reporting violations.—It shall be unlawful for any person to—

- (A) willfully provide, or attempt to **provide, false or fraudulent beneficial ownership information**, including a false or fraudulent identifying photograph or document, to FinCEN in accordance with subsection (b); or
- (B) **willfully fail to report** complete or updated beneficial ownership information to FinCEN in accordance with subsection (b).

CRIMINAL & CIVIL PENALTIES



Reporting violations.—Any person that violates subparagraph (A) or (B) of paragraph (1)—**(i)** shall be liable to the United States for a civil penalty of not more than \$500 for each day that the violation continues or has not been remedied; and

(ii) may be fined not more than \$10,000, imprisoned for not more than 2 years, or both.

TIMELINE

The reporting period begins January 1, 2024 and companies have until December 31, 2024 to provide reports.

FinCEN is a bureau of the U.S. Dept. of the Treasury responsible for collecting and safeguarding the information.

It is developing a cloud-based reporting system to be launched later.



WHAT TO DO IN THE MEANTIME



Identify the Benefield owners, parties who control the entity and the individuals who filed the application to create the entity.

Collect the required identification records along with addresses and birthdates.

ADDITIONAL RESOURCES

Title 31 USC Sec. 5336 [31 USC 5336: Beneficial ownership information reporting requirements \(house.gov\)](#)

Federal Register: 87 FR 59498

[Federal Register :: Beneficial Ownership Information Reporting Requirements](#)



THANK YOU