



## Breaking It Down | Corporate Transparency Act of 2019

**Citations** – 31 USC §5336; 31 CFR §1010; effective January 1, 2024

**Purpose** – To provide FinCEN with information regarding the identities of true beneficial owners of smaller limited liability companies and corporations in an effort to combat financial crimes.

**Scope** – Affects nearly all closely-held businesses and entities registered as LLCs and corporations. FinCEN estimates that 32 million entities will be subject to reporting in the first year.

**What is required?** Entities subject to reporting must file with FinCEN annual reports providing identifying information about the company, its beneficial owner(s), and its company applicant(s).

**Exclusions** – 18 types of entities are expressly excluded under 31 USC §5333(d)(4). There are generally entities that are already required to report information to the Treasury, such as entities dealing with securities, insurance, banking, and investment; publicly traded companies; public accounting firms; nonprofits; churches; public utilities; and government agencies. It also excludes any larger business concern that: (i) employs more than 20 full-time employees in the US; (ii) files tax returns in the US showing more than \$5 million in gross receipts or sales; and (iii) operates a physical office in the US.

### Time for Reporting

- A. Entities formed before 1/1/2024 – (i) must submit the first report by 1/1/2025; (ii) must continue reporting annually; and (iii) do not have to report information about the Applicant.
- B. Entities formed on or after 1/1/2024 – must begin reporting within 30 days after formation; (ii) must continue reporting annually; and (iii) must report information about the Applicant.

### Information Reported

- A. Company – (i) Full legal name; (ii) all trade names and d/b/as; (iii) street address of the principal place of business in the US; (iv) the state of formation/registration; (v) Tax Identification Number.
- B. Beneficial Owner – (i) Full legal name; (ii) date of birth; (iii) current residential address; (iv) passport #, drivers license #, ID card #, or FinCEN #; (v) copy of ID document; (vi) jurisdiction that issued the ID.
- C. Applicant – (i) Full name; (ii) date of birth; (iii) current residential of business address; (iv) passport #, drivers license #, ID card #, or FinCEN #; (v) copy of ID document; (vi) jurisdiction that issued the ID.
- D. Updates/Corrections – (i) any changes to previously reported information must be reported within 30 days of its occurrence, and (ii) any corrections to inaccurate must be reported within 90 days of submission of the incorrect or inaccurate information.

**Who is the Applicant?** (i) The individual who files the document creating a domestic reporting company. (ii) The person filing the document registering a foreign reporting company. (iii) The primary overseer if multiple individuals are involved in the filing.

**Who Qualifies as a Beneficial Owner?** Any natural person who directly or *indirectly* either:

- A. Exercises substantial control over the entity (generally, any person who has control or substantial influence over any company decision beyond day-to-day operations regardless of whether such person is actually an officer of the company); or
- B. Owns and controls at least 25% ownership interest in the entity (including joint ownership or ownership through an intermediary or trust arrangement).

**Non-compliance** – It is unlawful to (i) knowingly provide false information or (ii) willfully fail to provide complete or updated information. Although the company is responsible for reporting, an individual may be liable for failure to report if they caused the failure or were a senior officer at the time of the failure.

**Penalties** – civil penalty of \$500/day, up to \$10,000 max, and/or criminal penalty of up to 3 years in prison.