



## Treasury Department Requires CTA Filing for Dissolved Entities

The Corporate Transparency Act (CTA) represents a significant development in federal regulations, aiming to enhance transparency and combat illicit financial activities. One critical aspect of the CTA, clarified in recent guidance from the Financial Crimes Enforcement Network (FinCEN), concerns the reporting obligations of dissolved entities. This article explores the implications of these requirements and provides practical advice for compliance.

### Background on the Corporate Transparency Act (CTA)

The CTA mandates that companies report detailed information about their beneficial owners—individuals who exercise substantial control over the company or own at least 25% of it. This rule aims to prevent people from misusing shell companies for money laundering, tax evasion, and other illegal activities.

To ensure compliance, companies must understand the specific reporting timelines set by the CTA for various types of entities:

- **Companies Existing Before January 1, 2024:** These companies must file their initial beneficial ownership information (BOI) reports by January 1, 2025. This gives them a full year to comply with the new regulations.
- **Companies Formed or Registered Between January 1, 2024 and December 31, 2024:** Companies established during this period have 90 days from their formation or registration date to file their initial BOI reports. This shorter timeline emphasizes the need for prompt attention to compliance

requirements.

- **Companies Formed or Registered On or After January 1, 2025:** These companies face an even more stringent deadline, with only 30 days from their formation or registration date to file their initial BOI reports. This accelerated timeline reflects the ongoing effort to ensure timely reporting and transparency from newly established entities.



### Implications of the FAQ on Dissolved Companies

On July 8, 2024, FinCEN released new FAQs that address several critical questions regarding the CTA's application, particularly for dissolved companies. Some of the key questions addressed by the FAQ include:

- **Reporting Obligations for Companies Formed Prior to 2024 but Dissolved Before January 1, 2025:** The FAQs clarify that companies that existed before 2024 but were dissolved in 2024 must still file an initial BOI report on or before the January 1, 2025.

- **Reporting Obligations for Companies Formed in 2024 but Dissolved Before the 90-Day**

- **Reporting Deadline:** Companies formed in 2024 but dissolved within 90 days are required to file an initial BOI report even if they dissolve before the 90-day reporting period expires.

- **What Qualifies As "Dissolution" for CTA Purposes:** "Dissolution" for CTA reporting compliance purposes only occurs when an entity "completes the process of formally and irrevocably dissolving." While the process may vary by state, FinCEN's guidance clarifies that administrative cancellation of an entity due to a failure to make a timely filing or payment is usually not considered a formal dissolution. In most cases, an entity must file formal dissolution documents with the Secretary of State, receive written confirmation of dissolution, cease business operations, and wind up its affairs before it will be considered "dissolved" by FinCEN. Thus, an entity established before January 1, 2024, cannot avoid CTA reporting requirements merely by allowing its registration to lapse.

FinCEN's guidance significantly impacts companies that will dissolve in 2024, regardless of when they were formed. Despite previous assumptions that dissolved entities would be exempt from reporting, the FAQs confirm that dissolution does not eliminate the requirement to file an initial BOI report. This directive means many companies dissolved in 2024 must revisit their status to ensure compliance.

## **Actions Companies Dissolved in 2024 Should Take**

Given the new guidance, it is imperative for companies that dissolved in 2024 to take immediate action to comply with the CTA. To navigate these new requirements effectively, companies need to take proactive measures. Reviewing the dissolution status and consulting with advisors will help ensure that all necessary reports are filed in a timely manner, thereby avoiding potential penalties and legal complications.

As the regulatory landscape evolves, staying informed and proactive is key to compliance. Companies should seek professional guidance to understand and fulfill their reporting requirements under the CTA. For more information and assistance with CTA compliance, don't hesitate to get in touch with your CPM attorney or any member of our Business Law Group.