

NEW ACT IMPOSES PENALTIES ON FAMILY PARTNERSHIPS, LLCs, AND CORPORATIONS

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CORPORATE & BUSINESS LAW

BY JULIA SIEWIT & JULIE WANN

Starting January 1, 2024, existing and newly formed limited partnerships, limited liability companies, and corporations will be required to report certain ownership and management information to the Federal Financial Crimes Enforcement Network ("FinCEN"). Adverse consequences for non-compliance are significant and include steep financial penalties, fines, AND jail time (see below for additional information regarding failure to comply).

What Is It?

On January 1, 2021, Congress passed the Corporate Transparency Act (“CTA”) to address issues of money laundering, financial crimes, and misuse of shell companies. Effective January 1, 2024, “Reporting Companies” (see below) will be required to disclose the identities of their ultimate beneficial owners, specifically including all individuals who hold a significant ownership stake in or exert substantial control over, the entities.

Are You a Reporting Company?

Reporting Companies include any domestic entity created by, or any foreign entity registered to do business in any state by the filing of a document with the Secretary of State or similar office of any state within the United States. So, for example, if your entity filed Articles of Organization or similar formation documents with the Secretary of State, it is likely that it is a Reporting Entity and is subject to the CTA. Even if you own a single member disregarded California LLC, your LLC is a Reporting Company and is subject to the CTA.

The Reporting Companies will be required to directly file reports with FinCEN reporting basic information, including information about their (1) “beneficial owners” and (2) “company applicants”.

Who Are Beneficial Owners Under the CTA?

Beneficial owners are any individuals who directly or indirectly (a) exercise substantial control of a reporting company or (b) own or control at least 25 percent of the ownership interest in a Reporting Company.

Who Are Company Applicants Under the CTA?

Company applicants are certain individuals who file or help to prepare the documents that create the reporting company or qualify it to do business (including attorneys, accountants, and others who may assist in the formation process).

When Are Reports Due?

For Reporting Companies created or registered on or after January 1, 2024, reports must be filed within 30 calendar days of (1) receipt of notice that the entity is effective or registered to do business or (2) when the Secretary of State or similar office provides actual or public notice that the Reporting Company was created or registered, whichever is earlier. On September 27, 2023, FinCEN issued a Notice of Proposed Rulemaking to extend this “30 calendar day” deadline to 90 calendar days; however, the rule has not yet been finalized.

For Reporting Companies created or registered before January 1, 2024, reports must be filed BY January 1, 2025. Any changes to the information reported to FinCEN will need to be updated within 30 days after (a) there is a change to previously reported information or (b) a Reporting Company becomes aware of, or has reason to know of, an inaccuracy in a prior report.

What Information Is Required to Be Reported as a Reporting Company?

A Reporting Company must report: (1) its full legal name, (2) any trade name, (3) its current street address, (4) its jurisdiction, and (5) its IRS taxpayer identification number.

What Information Is Required to Be Reported as a Beneficial Owner?

In addition, companies must report the following information about their beneficial owners and company applicants: (a) their full legal name, (b) date of birth, (c) current residential address, (d) a non-expired US identification document or, if not available, a foreign passport, and (e) an image of the documents used in (d).

Is an Attorney Needed to File the BOI?

Entities with larger, more complex structures may want to consult an attorney. However, the goal is for most small structures to report themselves. BOI filing instructions from FinCEN are forthcoming. Meanwhile, additional information is available on their website found [here](#).

What if I Don't Comply?

Failing to comply can result in severe penalties, including a civil penalty of up to \$500 per day until the violation has been remedied, and criminal fines of up to \$10,000 and/or imprisonment of up to two years. This is serious. According to the regulations, "any person" who causes the reporting company to fail to report or is a senior officer of the reporting company at the time of the failure to report, may be personally liable for reporting violations. Additionally, reporting companies, beneficial owners, and company applicants are all potentially liable for willfully providing false information.

If you have any questions about the CTA or your reporting obligations, please contact [Julia Siewit](#).

Meet our Attorneys



[Julia Siewit](#) is an associate attorney in Hoge Fenton's Corporate and Business Law Practice Group. Her practice focuses on assisting clients with forming business entities, corporate governance, and assisting with mergers and acquisitions. Julia also specializes in corporate taxation by guiding clients to minimize tax liability.



[Julie Wann](#) is a member of Hoge Fenton's Corporate, Tax, and Estates & Trusts groups. Julie advises individuals in estate and tax planning, wealth transfer, and estate and trust administration. She represents limited liability companies, partnerships, corporations, and nonprofits, on entity formation, governance, and operational matters. Julie also focuses on individual, partnership, and corporate taxation, and structures real property transfers that preserve the real property tax basis.

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