



Alerts

REMINDER: New Federal Corporate Transparency Act Set to Impose Significant New Reporting Requirements and Noncompliance Penalties in 2024

December 12, 2023

Hinshaw Alert

As we approach year-end, we wanted to remind you about the upcoming implementation of the Corporate Transparency Act ("CTA"), which is set to take effect on January 1, 2024. The CTA will impose significant new reporting requirements for most entities and civil and criminal penalties for those failing to comply in time.

Congress enacted the CTA as part of its ongoing effort to combat terrorism, organized crime, and money laundering. Generally speaking, the CTA requires certain entities to disclose (*and continuously keep current*) specific information about the entities themselves, as well as their "beneficial owners" and "company applicants" (*as discussed in more detail in the attached*), to the United States ("U.S.") government via an online reporting system operated by the Financial Crimes Enforcement Network ("FinCEN").

Be aware that the CTA is intentionally broad, and its reporting requirements will apply to most entities formed or doing business in the U.S., whether or not such entities were formed/qualified before or after January 1, 2024. That being said, when the subject entity was formed/qualified, it will determine when its initial report to FinCEN will be required. For entities that were formed/qualified in the U.S. **on or before December 31, 2023**, they will have until **January 1, 2025**, to submit their initial report to FinCEN. On the other hand, any entity formed/qualified in the U.S. **on or after January 1, 2024**, will be required to submit its initial report to FinCEN within **90 days** from the date of such formation/qualification.

The information required to be obtained to complete the required CTA reporting could be substantial. Moreover, determining what information needs to be included in an entity's report (*including determining all applicable "beneficial owners" and "company applicants"*) is not straightforward. It may require a fact-based and potentially time-consuming analysis. With that in mind, the above-mentioned 90-day reporting period being imposed for entities formed/qualified in the U.S. on or after January 1, 2024, could be tight for many entities (*particularly for entities involving multiple parties*).

Accordingly, for anyone who may have plans to form/qualify a new entity soon, whether in anticipation of a particular transaction(s) or otherwise, it is recommended to have such entity formed/qualified before the end of

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Service Areas

Business & Commercial Transactions

Corporate Transparency Act Compliance



2023 if possible to delay the initial CTA reporting for such entity for another year (i.e. until January 1, 2025). This will allow more time for the respective entity to gather the appropriate information and complete any due diligence/analysis that may be necessary in a timely manner.

The CTA's reporting requirements are extensive, and current and prospective business owners must be fully aware of the impact of the CTA. For your reference, we provided a more in-depth look at the CTA reporting requirements [in a prior client alert](#). We will continue to follow the implementation of the CTA and offer updates as further developments arise.

If you would like assistance or guidance regarding compliance with the CTA, please contact Anthony Zeoli at azeoli@hinshawlaw.com or your regular attorney at Hinshaw.