McConnell Valdés LLC

Corporate Transparency Act Compliance: Urgent Deadlines and Immediate Action Required

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PRACTICE AREAS

- Corporate

An McV Corporate Alert

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The Corporate Transparency Act ("CTA"), effective January 1, 2024, aims to combat illicit financial activity by increasing transparency in corporate ownership and management structures in the United States. As part of this initiative, all reporting companies must submit a Beneficial Ownership Information Report ("BOIR") by the deadlines outlined below.

Immediate Action Required:

To comply with the BOIR requirements, your immediate attention is needed to meet the upcoming deadlines and avoid penalties. Failure to comply with these requirements can result in significant penalties, including fines up to $10,000 and imprisonment for up to two years.

As previously communicated in our December 11, 2023 Alert *"The Corporate Transparency Act: What You Need to Know"*, "reporting companies" include corporations, limited liability companies, partnerships, and other entities created by filing a document with a Secretary of State or similar office. This also applies to companies authorized to do business and certain partnerships and trusts. Each entity must promptly assess whether an exemption applies and take the necessary steps to ensure full compliance with the CTA.

Next Steps:

- **Evaluate Your Entity:**
  - Thoroughly assess your ownership and corporate governance structures to identify all beneficial owners.
  - Gather the required information to complete the BOIR. A "beneficial owner" is defined as an individual who, directly or indirectly:
    - Exercises "substantial control" over the company (including senior officers), and/or
    - Owns or controls at least 25% of the company's ownership interests.
- **Prepare for Layered Reporting:**

- Ensure your BOIR includes details on the ultimate owners through all layers of ownership, including parent companies with subsidiaries.
- **Identify and Report Company Applicants:**
  - For entities established after January 1, 2024, disclose the individual(s) who prepared or filed the formation documents.

Key Deadlines:

- **By January 1, 2025:** Reporting companies created or registered before January 1, 2024, must file their BOIR.
- **Within 90 Days:** Reporting companies created or registered between January 1, 2024, and December 31, 2024, must file their BOIR within 90 calendar days of receiving notice that their creation or registration is effective.
- **Within 30 Days:** Reporting companies created or registered on or after January 1, 2025, must submit their BOIR within 30 calendar days of creation or registration.

Ongoing Compliance:

After your initial BOIR filing, you must submit updates within 30 days of any changes to the reported information.

Ensure Compliance Now:

As deadlines approach, take proactive measures to meet your CTA obligations:

- Establish internal processes to monitor changes in ownership and control.
- Promptly file updates to your BOIR as required.

Failure to act could result in severe penalties. To avoid any risk, ensure full compliance with the CTA immediately.

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