

Publications

Get Ready for the CTA - The Deadline is Fast Approaching!

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CLIENT ALERT | 10.24.2024

Over 30 million companies now have less than 70 days to file their initial reports under the new federal Corporate Transparency Act (CTA). Here is the bottom line and why it matters.

What Is the CTA?

The CTA requires companies to report to the federal government detailed information about the company and the company's so-called "beneficial owners"—the individuals who directly or indirectly exercise substantial control over the company or directly or indirectly own or control at least 25% of the ownership interests of the company. The stated purposes of the CTA include combating illicit activity such as money laundering, the financing of terrorism, tax fraud and human and drug trafficking.

Who Must File?

Corporations, LLCs and certain other types of entities organized or registered to do business in the U.S. are required to file an initial beneficial ownership (BOI) report with the U.S. Treasury's Financial Crimes Enforcement Network (FinCEN) and to keep the reported information current, *unless* they meet the criteria for a CTA exemption.

The CTA regulations include 23 specific exemptions. Many of the exemptions apply to types of companies that already are subject to rigorous state or federal reporting or oversight.

One important exemption is the "large operating company" exemption. This applies to companies with more than 20 full-time employees in the U.S., an operating presence at a physical office within the U.S., and more than \$5 million in gross receipts or sales in the previous year. There also is a "subsidiary" exemption that applies to companies whose ownership interests are wholly owned and controlled, directly or indirectly, by one or more other exempt entities.

What Are the Deadlines?

- Companies in existence prior to January 1, 2024 must file their initial BOI reports by January 1, 2025.
- New companies formed between January 1, 2024 and December 31, 2024 must file their initial BOI reports within 90 days after formation. Companies formed on or after January 1, 2025 must file their initial BOI reports within 30 days after formation.
- Surprisingly, a company that was in existence prior to 2024 but ceased to exist prior to the January 1, 2025 deadline for filing initial BOI reports nonetheless must file an initial BOI report by the January 1, 2025 deadline, even if the filing is made after the company has ceased to exist. Similarly, a company that was created in or after 2024 but ceased to exist prior to the applicable 90- or 30-day deadline for filing initial BOI reports nonetheless must file an initial BOI report within 90 or 30 days of its formation, as applicable, even if the filing is made after the company has ceased to exist.
- Companies must report changes to the information previously submitted to FinCEN concerning the company or its beneficial owners within 30 days after the change.
- Filing initial BOI reports sooner rather than later is advisable, especially for complicated structures and circumstances where information from third parties will be needed for the filing.

How Do I File With FinCEN?

Filing is [via FinCEN's CTA website](#). FinCEN's CTA website also includes CTA FAQs, small business resources and other reference materials.

What If I Don't Comply?

The potential penalties for not complying with the CTA can be significant: The willful failure to report complete or updated BOI to FinCEN, or the willful provision of or attempt to provide false or fraudulent BOI to FinCEN, may result in civil penalties of up to \$591 for each day that the violation continues (adjusted annually for inflation) or criminal penalties including imprisonment for up to two years and/or a fine of up to \$10,000.

Please contact one of the authors of this alert or your regular Vorys contact attorney for more information about CTA compliance.