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Year-End Corporate Transparency Act Filing Deadlines Are Approaching

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AUTHORED ARTICLE | Fall 2024

The below article was featured in the October 2024 edition of *Legacy*, the Vorys newsletter focused on wealth planning.

Throughout 2024, the Corporate Transparency Act (CTA) has garnered increasing attention, and a fair degree of consternation, from the millions of corporations, limited partnerships, limited liability companies, and other closely-held businesses that are considered reporting companies under the CTA, as well as from those individuals who own, or exercise substantial control over such entities. As the end of the year fast approaches, so do important deadlines for those reporting companies that were in existence at the beginning of 2024. This edition of *Legacy* provides a brief update and reminder about the CTA, its reporting requirements and deadlines. For a general summary of the CTA, please refer to this [Vorys Client Alert](#).

What are the reporting requirements of the CTA?

The CTA was enacted to promote transparency in how entities that conduct business in the United States are structured. To that end, a reporting rule was created, establishing new reporting requirements for entities that are formed in the United States and foreign entities that conduct business in the United States. This reporting rule applies to many closely-held businesses, both active operating companies and passive entities, including single-member LLCs created for estate planning and/or liability protection purposes.

The reporting rule requires a "reporting company" to report to the U.S. Department of the Treasury's Financial Crimes Enforcement Network (FinCEN) various identifying information about the reporting company, its "beneficial owners", and, in some instances, its "company applicants". FinCEN refers to this reporting information collectively as Beneficial Ownership Information (BOI).

The potential penalties for not complying with the reporting rule 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 \$500 for

each day that the violation continues or criminal penalties including imprisonment for up to two years and/or a fine of up to \$10,000.

What is a "reporting company"?

Under the CTA, a reporting company is an entity created by the filing of a document with a secretary of state or any similar office under the law of a U.S. territory or foreign country (including LLCs, limited partnerships, and corporations), and does not qualify for one of 23 entity exemptions. These exceptions include banks, credit unions, tax-exempt entities, accounting firms, pooled investment vehicles, and certain inactive entities, to name a few.

Who is a "beneficial owner"?

A beneficial owner is any individual who, directly or indirectly, either (a) exercises **substantial control** over a reporting company or (b) owns or controls at least 25% of the **ownership interest** of a reporting company. A reporting company under the CTA will need to disclose to FinCEN each of the reporting company's beneficial owners.

Does a reporting company need to report its company applicants?

Domestic reporting companies that are created **on or after January 1, 2024** and foreign reporting companies that first register to do business in the United States **on or after January 1, 2024** are required to report its company applicants. A company applicant includes (1) the "direct filer" of the entity—whoever directly filed the document creating the entity—and (2) the person who "directed or controlled the filing action" that created the entity.

What are the deadlines for filing an initial BOI report?

The deadline for filing an initial BOI report depends on when the company was created or registered:

1. A reporting company that was created or registered to do business in the United States *before* January 1, 2024, has until **January 1, 2025** to file its initial BOI report.
2. A reporting company that was created or registered to do business in the United States *on or after* January 1, 2024, *but before* January 1, 2025, has **90 calendar days** after receiving actual or public notice that its creation or registration is effective to file its initial BOI report.
3. A reporting company that was created or registered to do business in the United States *on or after* January 1, 2025, has **30 calendar days** after receiving actual or public notice that its creation or registration is effective to file its initial BOI report.

For more information on how to file a BOI report with FinCEN, you can visit its website at <https://www.fincen.gov/boi>.

If you would like further guidance on the CTA and how it may apply in your circumstances, please contact your Vorys estate planning attorney. Vorys is able to provide analysis and advice concerning many CTA compliance questions, such as whether an entity is exempt from the CTA filing requirements and who

would be deemed to be the "beneficial owners" of a reporting company, and to assist in the development of CTA reporting company compliance protocols. As a matter of firm policy, Vorys does not prepare and file BOI reports under the CTA.