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Navigating The Corporate Transparency Act: Key Insights and Compliance Tips

With the implementation of the Corporate Transparency Act (CTA) on January 1, 2024, it is essential to understand the impacts this legislation will have on reporting requirements for corporations, limited liability companies (LLCs), and similar entities. In this client alert, we aim to provide you with key insights that will help you to navigate these new requirements and avoid penalties for non-compliance.

Understanding Reporting Requirements

The CTA requires "Reporting Companies" to submit specific information about the company and its "Beneficial Owners" to the U.S. Treasury Department's Financial Crimes Enforcement Network (FinCEN). If your company meets the definition of a "Reporting Company" (discussed below), and was formed on or after January 1, 2024, an initial Beneficial Ownership Information (BOI) report must be filed within ninety days. For companies formed before January 1, 2024, the deadline to file an initial BOI is January 1, 2025. Subsequent

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reports are only necessary in the event of changes to the reported information.

Defining Reporting Companies and Beneficial Owners

A “Reporting Company” as defined in the CTA includes corporations, LLCs, and limited partnerships, among other entities that are not specifically exempted from the CTA. Currently, there are 23 different exemptions from the CTA, so it is imperative that business owners take affirmative steps to determine if their business is exempt or not. “Beneficial Owners”, whether individuals or entities, must be disclosed if they possess “substantial control” of or own at least twenty-five percent of the entity. The BOI report contains comprehensive details about the Reporting Company and each beneficial owner, covering names, addresses, jurisdiction of formation, and unique identification numbers.

Aim for Transparency and Combatting Illicit Activities

The CTA’s overarching goal is to enhance transparency and combat illicit activities such as money laundering and fraud. Reported information will be shared with law enforcement agencies under specific circumstances, aligning with the broader efforts to strengthen financial oversight.

Penalties for Non-Compliance

Non-compliance with CTA reporting requirements carries significant consequences, including civil and criminal penalties. Fines and potential imprisonment are on the table for willful failure to report accurate and updated BOI. Senior officers of a Reporting Company may also face liability for reporting failures.

In Summary

As you navigate the landscape of the Corporate Transparency Act, stay tuned for further updates and insights. Rest assured that with some proactive planning, you can ensure a smooth transition into this new era of enhanced transparency and compliance.

If you have questions regarding business formation, compliance with state requirements, or have other legal needs relating to your business, please contact us at (864)-349-2600 or visit [cassidycoates.com](https://www.cassidycoates.com).

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