



## An Intro to the Corporate Transparency Act

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**A federal law adopted in 2021 takes effect on January 1, 2024, and imposes reporting obligations on many entities that may not be accustomed to reporting much information. This article provides a brief overview of the law, and future articles will dive deeper into its requirements.**

The Corporate Transparency Act was enacted on January 1, 2021. The law directs the Treasury Department's Financial Crimes Enforcement Network ("FinCEN") to maintain a database regarding entities that meet the law's definition of a "reporting company," and requires reporting companies to submit reports with information on the company, its beneficial owners, and individuals that assisted in its formation or registration.

FinCEN has issued regulations covering many facets of the law, which will take effect January 1, 2024. The law will impact reporting companies formed before or after the effective date, although the obligations for entities formed before the effective date vary from obligations of entities formed on or after the effective date.

This article is the first of a series and summarizes the law's obligations. Further articles will discuss the rules and definitions contained in the statute and related regulations (collectively, the "CTA") in greater detail.

### Initial Reports

The CTA requires entities that constitute a reporting company to file an initial report with FinCEN. For companies formed or first registered in the US on or after January 1, 2024, the initial report must be filed within 30 days after formation or registration. For companies formed or first registered in the US

before January 1, 2024, the initial report must be filed no later than January 1, 2025. The initial report will be filed via an online portal being constructed by FinCEN and must contain the following information:

- Reporting Company. The company's (i) legal name, (ii) trade names or DBAs (regardless of whether formally registered), (iii) state, tribal, or foreign jurisdiction of formation, (iv) street address of the principal place of business (or, if the principal place of business is overseas, the street address of the primary US location where the company does business), and (v) tax ID number ("EIN" or "TIN"). If the company was formed overseas, (a) it must also report the state or tribal jurisdiction where it first registered in the US, and (b) if it has not received an EIN from the IRS, it must provide a tax ID number received from a foreign jurisdiction and identify the jurisdiction.
- Beneficial Owners. The (i) name, (ii) date of birth, (iii) residential address, (iv) legible copy of a passport, drivers' license, or other government-issued photo ID, (v) name of the jurisdiction issuing that photo ID, and (vi) photo ID identification number, of each "beneficial owner," defined as each individual who, directly or indirectly, including through other entities, owns or controls at least 25% of the ownership interests of, or exercises "substantial control" over, the company.
- Company Applicants. For reporting companies formed on or after January 1, 2024, the (i) name, (ii) date of birth, (iii) address, (iv) legible copy of a passport, drivers' license, or other government-issued photo ID, (v) name of the jurisdiction issuing that photo ID, and (iv) photo ID identification number, of each "company

applicant,” defined as (a) the individual who filed the document forming the company (or, for a foreign reporting company, that first registered the company in the US) and (b) if more than one individual was involved in the filing, the individual primarily responsible for directing or controlling the filing. For company applicants who form or register companies as a business (e.g., a law firm employee), the individual’s business address must be reported, and for **others, the residential** address must be reported. Reporting companies formed before January 1, 2024, do not have to report information on company applicants.

### **Updated or Corrected Reports**

Reporting companies must file updated or corrected reports after previously reported information changes or is determined to be incorrect. A company must file an updated report within 30 days after any change in previously reported information and must file a corrected report within 30 days after becoming aware or having reason to know of any inaccuracy in any previously reported information. The updated or corrected report must include all information necessary to make the report accurate and complete. Reporting companies are not required to file updated reports for changes to information on company applicants but must file a corrected report if any previously reported information on a company applicant was incorrect when filed.

### **Reporting Companies**

Reporting companies have the obligation to file reports unless an exemption applies. Reporting companies are either a domestic or foreign reporting company. A domestic reporting company is a corporation, limited liability company (“LLC”), or other entity that is created by the filing of a document with a state or tribal government, and a foreign reporting company is any entity formed under the law of a foreign country that is registered to do business in any state or tribal jurisdiction by the filing of a document with a state or tribal government. The CTA contains several exemptions from the reporting obligations, which will be discussed in a future article.

### **Another Item on the Checklist**

Much of the information included in CTA reports should be readily available from the applicable individuals. However, filing the reports will be one more step on the checklist whenever an entity is formed or undergoes a change of ownership or control and will be a required action item for many existing entities within the next 18-24 months. Companies should contact their counsel over the next several months for guidance on what steps will be required to comply with the CTA.

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