

Corporate Transparency Act Update

2 Oct 2024

[Don Kim](#)

Businesses and their beneficial owners have less than four months to comply with the reporting requirements set forth in the Corporate Transparency Act (CTA), which took effect January 1, 2024. The CTA is designed to combat money laundering and other financial crimes by requiring a broad range of entities to disclose information about their owners and persons who exercise control to the Financial Crimes Enforcement Network (FinCEN), a bureau of the United States Treasury. A more in-depth review of the CTA's applicability can be found in our [earlier post](#).

The CTA imposes the following deadlines for Reporting Companies to file their Beneficial Ownership Information (BOI):

- Reporting Companies formed before January 1, 2024: On or before January 1, 2025 (one year after the effective date of the CTA).
- Reporting Companies formed on or after January 1, 2024: Within 90 days after its date of formation (i.e., the date its organizational document was accepted for filing by the applicable state agency).
- Reporting Companies formed on or after January 1, 2025: Within 30 days after its date of formation (i.e., the date its organizational document was accepted for filing by the applicable state agency).

** The CTA does not require annual renewals but does require Reporting Companies to update their filings within 30 days of any changes to the information contained in the BOI*

Given the number of cases pending in the federal court system (including cases pending in courts in Alabama, Ohio, Maine, Michigan, Texas, Massachusetts) challenging the constitutionality of the CTA, many businesses remain uncertain about their obligations under the CTA and its enforcement.

Despite that uncertainty, the most prudent approach for businesses is to submit the requisite filing now to ensure compliance rather than deferring filing in hopes of a judicial or legislative intervention. Most recently, on September 20, the US District Court for the District of Oregon denied a motion for preliminary injunction filed by plaintiffs challenging the constitutionality of the CTA. The order stands in contrast to recent order issued by a federal court in Alabama declaring the law unconstitutional and blocking its enforcement against the two named plaintiffs in that case.

Some states, including as California, Maryland, and Massachusetts, are considering or reviewing proposed legislation for state-level laws that resemble the CTA. Given these developments, it appears likely that business entities will be required to report beneficial ownership information in the coming years in some way or another.

Compliance challenges for business entities remain abundant. Businesses have complained about difficulty identifying their beneficial owners (board members, senior officers, trusts, etc.), determining the applicability of the law's myriad exemptions, and gathering the information required for filing. Of course, questions about how the CTA will be enforced remain to be answered. However, in July 2024, Treasury Secretary Janet Yellen testified before the House Financial Services Committee that although CTA penalizes deliberate violations of the law, FinCEN was not seeking to take "gotcha enforcement actions against small businesses." FinCEN Director Andrea Gacki recently echoed that sentiment.

Overall, determining whether the CTA applies to a specific entity requires a fact-intensive examination, and, as evidenced by FinCEN's ongoing issuance of new guidance through its [FAQs](#), the application of the CTA is still evolving. Please reach out to your Jackson & Campbell team with any questions or for support.

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