Thompson Hine

Corporate Law Update

November 2024

Corporate Transparency Act: Beneficial Ownership Reporting Deadline Approaching

The December 31 deadline is fast approaching for non-exempt reporting companies formed before January 1, 2024, to file beneficial ownership reports with FinCEN. “Reporting companies” include both domestic entities (e.g., corporations, limited liability companies, partnerships, entities formed by the filing of documents with a secretary of state or an Indian Tribe) and foreign entities registered to do business in the U.S. (e.g., corporations, limited liability companies, other entities formed outside the U.S.).

There are 23 specific exemptions from reporting company status, including, but not limited to:

- “Large operating companies,” defined as entities that (a) employ more than 20 employees on a full-time basis in the U.S., (b) filed in the previous tax year a federal income tax return demonstrating more than $5 million in gross receipts or sales of other entities owned by the entity, and (c) have an operating presence at a physical office in the U.S.
- Entities that are subject to other governmental regulatory reporting (e.g., SEC reporting entities, tax-exempt entities, banks, credit unions, insurance companies, brokers or dealers in securities, public utilities, investment companies, venture capital fund advisers, accounting firms registered under Sarbanes-Oxley Act, public utilities, etc.).
- Entities described in Section 501(c) of the Internal Revenue Code that are exempt from tax under Section 501(a).
- “Inactive entities,” defined as entities that (a) were formed on or before January 1, 2020, with no active business, (b) have no foreign ownership, (c) had no change in ownership in the prior 12 months, (d) had no direct or indirect transaction of funds over $1,000 in the prior 12 months, and (e) have no assets.
- Entities that are wholly owned by one or more entities exempt from reporting company status.

The regulations require that the report must include information concerning (i) the company, (ii) the company’s beneficial owners, and (iii) for entities formed on or after January 1, 2024, the company applicant(s) (i.e., the individual(s) who prepared or filed the formation documents).

A reporting company is required to report (a) the company’s full legal name and any “doing business as” names, (b) the street address of its principal place of business, (c) its jurisdiction of formation or registration, (d) its federal tax identification number (if a TIN has not been issued, alternatives include a Dun & Bradstreet Universal Numbering System number or Legal Entity Identifier), and (e) a list of its beneficial owners.

A “beneficial owner” is any individual who either (i) directly or indirectly exercises substantial control over the reporting company or (ii) owns or controls (including through a trust) not less than 25% of the ownership interests in the reporting company.

A beneficial owner is required to report their (a) full legal name, (b) date of birth, (c) current residence street address, and (d) unique identifying number from an acceptable identification document (e.g., driver’s license or passport) and an image of such document that includes both the identifying number and photograph. Alternatively, a beneficial owner may provide their FinCEN ID, which can be obtained here.

Noncompliance with the CTA is against federal law and can lead to (a) a $10,000 fine and two years in jail for providing false information, or (b) $591/day in fines (as adjusted for inflation) for failing to provide required information.

Reports can be filed on FinCEN's website.

FOR MORE INFORMATION

If you have questions about the requirements under the CTA, contact your Thompson Hine lawyer or a member of our CTA Working Group listed below. Our team is available to assist businesses in evaluating whether they qualify as reporting companies, determining beneficial owners, and identifying categories of data required to be submitted to FinCEN. While we do not prepare or file FinCEN reports or provide ongoing monitoring to determine the need for corrected or updated reports, we can provide third-party referrals for those CTA filings and related services.

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