Corporate Transparency Act Compliance Alert
December 2023

New Beneficial Ownership Reporting Requirements Affecting LLCs and Other Entities Take Effect Jan. 1, 2024

On Jan. 1, 2024, a new reporting regime will require limited liability companies (LLCs), corporations and other entities to file beneficial ownership information reports with the U.S. government. The new reporting requirement is imposed by a statute called the Corporate Transparency Act (CTA). The U.S. Department of the Treasury's Financial Crimes Enforcement Network (FinCEN) has issued regulations providing details on who must file a report, what information has to be reported and when reports must be filed. Every owner of an LLC, corporation or other business entity should know about this new requirement because noncompliance can result in significant penalties. Notably, exemptions exist for certain highly regulated entities and other "low-risk" entities, as described in our FAQs (see link below). Many tax-exempt organizations, such as 501(c)(3) organizations, are exempt and, thus, excluded from CTA reporting requirements.

New York's legislature has passed legislation modeled on the CTA that would establish a public database containing the names of beneficial owners of LLCs that are formed or qualified to do business in New York. The New York legislation is now being reviewed by Gov. Kathy Hochul, who has until Dec. 31 to act on it. California's legislature proposed similar legislation earlier this year, but it is still in committee review. It is possible that other states will follow their lead.

Key Takeaways:

- Entities created or registered before 2024 must file their initial reports by Jan. 1, 2025. Entities created or registered in 2024 must file within 90 days of creation or registration. Entities created or registered on or after Jan. 1, 2025, must file within 30 days of creation or registration.
- The requirements will apply to privately held LLCs, corporations and other entities formed or registered to do business in any U.S. state (or with any American Indian tribe) for any purpose, including for estate, investment, real estate, tax, privacy or other personal planning.
- While most trusts used for estate planning would not be considered reporting companies under these requirements, information about a trust's beneficial owners (settlors, beneficiaries, trustees, etc.) may be reportable if the trust directly or indirectly owns an interest in an entity qualifying as a reporting company.
- The beneficial ownership information will be reported to FinCEN. It will be accessible to authorized government entities but will not be part of any publicly accessible database.

For more information, read our FAQs on the CTA here.

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