



## ***Breaking News!***

### **Important Updates on Corporate Transparency Act Year End Reporting Requirements**

Dear Clients,

As we approach the end of the year, we want to inform you about significant compliance obligations arising from the Corporate Transparency Act (CTA), which was signed into law on January 1, 2021, as part of the William M. (Mac) Thornberry National Defense Authorization Act for Fiscal Year 2021. This legislation introduces critical changes to corporate governance in the United States, particularly affecting companies formed prior to 2024.

#### **Reporting Requirements**

##### **Who is Affected?**

All domestic and foreign reporting companies formed before January 1, 2024, must file an initial beneficial ownership report with the Financial Crimes Enforcement Network (FinCEN) no later than January 1, 2025. A "reporting company" is defined as any corporation, limited liability company (LLC), or similar entity created by filing a document with a secretary of state or similar authority under state or tribal law.

For companies formed after January 1, 2024, the reporting timeframe is as follows:

1. Companies created between January 1, 2024, and December 31, 2024, must file their initial reports within **90 calendar days** of the earlier of receiving actual notice of their formation or public notice from a secretary of state or similar office.
2. Beginning January 1, 2025, this timeframe shortens to **30 calendar days** for all newly formed companies.

#### **Information Required in the Report**

For all reporting companies not exempt from this requirement, the beneficial ownership report must include:

**1) Identification of Beneficial Owners:** Each beneficial owner—defined as an individual who either exercises substantial control over the reporting company or owns or controls at least 25% of the ownership interests—must provide:

- Full legal name
- Date of birth
- Residential address
- A unique identifying number from an acceptable identification document (such as a passport or driver's license)
- An image file of the document that provides this unique identifying number.

**2) Company Information:** The report must disclose the full legal name of the company, any trade names, its complete current address, state of formation, and taxpayer identification number (TIN).

**3) Company Applicant Information:** For companies formed after January 1, 2024, the report must also include the same personal details for the "company applicant," which refers to the individual who filed the documents to form the company.

## Exemptions from Reporting

The CTA outlines several categories of exemptions that may apply to your company. Exempt entities include:

**1. Nonprofit organizations**

**2. Certain financial institutions (e.g., banks, credit unions)**

**3. Large operating companies, defined as entities that:**

- Have more than 20 full-time employees in the U.S.
- Maintain a physical presence at a business location in the U.S.
- Report \$5 million or more in gross receipts or sales on their most recent federal income tax return.

If your company qualifies as an exempt entity, it will not be required to file a beneficial ownership report. However, it is crucial to monitor your status, as changes in circumstances may affect your exemption.

## Recommended Action: Obtain a FinCEN Identifier

We highly recommend that all beneficial owners obtain a **FinCEN identifier**. This unique identification number can streamline the reporting process, allowing companies to reference it instead of filing new reports every time there are updates, such as changes in personal addresses or ownership details. This approach can significantly reduce the reporting burden.

## Complexity of the Reporting Form

While the reporting form may appear deceptively simple, it can present complex challenges, especially for multi-tiered companies and trusts that own interests in the reporting company. These structures may require careful consideration and analysis to ensure compliance with the CTA's reporting obligations.

## Timelines for Updates

After filing the initial beneficial ownership report, companies are required to amend their reports within **30 calendar days** of any change in the information previously reported. This includes changes regarding beneficial owners, addresses, or other significant company information.

## Timeframes for Reporting

This year, all companies formed before January 1, 2024, must submit their initial reports by January 1, 2025. For companies created after January 1, 2024, the initial report must be filed within **90 calendar days** of the earlier of receiving actual notice of their creation or when public notice is given through a secretary of state or similar office. Starting January 1, 2025, the filing period for newly formed companies will shorten to **30 calendar days**.

## Penalties for Non-Compliance

Failure to comply with the CTA's reporting requirements can lead to significant penalties, including fines of **\$500 per day** for overdue reports, with a maximum penalty of **\$10,000**. Willful violations, such as filing inaccurate information or failing to file entirely, may result in felony charges, carrying penalties of up to **two years of imprisonment**.

## Next Steps

We encourage all clients to review their company structures and determine their reporting obligations under the CTA. Should you have any questions or require assistance in navigating these new requirements, please do not hesitate to contact our office.

Thank you for your attention to this important matter. We look forward to supporting you in achieving compliance with these new regulations.

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