

A Q&A Guide for Businesses to Navigate the Corporate Transparency Act

By Christopher R. Agostino on January 18, 2024



The Corporate Transparency Act (CTA) has been a hot topic since its introduction, requiring businesses to adapt to new reporting obligations. [We explored the Corporate Transparency Act in depth in an alert last week.](#)

Now that the CTA is effective and companies begin to report to FinCEN here are some answers to commonly asked questions on how businesses can navigate these changes and what it means for various stakeholders. The Financial Crimes Enforcement Network (FinCEN) has also [published additional FAQ's](#) and will continue to publish guidance as unique reporting issues arise. In this post, Chris Agostino explores some of the most commonly asked questions about the Corporate Transparency Act.

Q: What spurred the creation of the Corporate Transparency Act?

A: The CTA was introduced as a federal measure to combat money laundering, terrorism financing and other illicit activities by unveiling the individuals who own and control legal entities. Its goal is to provide more transparency in business operations and ownership.

Q: Who needs to report under the CTA?

A: Reporting is required for any "reporting company," which broadly includes corporations, limited liability companies and other entities created by filing with a state office or similar office under the laws of a state or Indian tribe. This includes entities organized outside the U.S. but registered to do business in any state.

Q: Are there any exemptions from reporting?

A: Yes, there are several exemptions, mostly for entities that are already heavily regulated like banks, financial institutions, and public utilities, or those qualifying as "large operating companies" with more than 20 employees and greater than \$5 million in revenue. However, most small to mid-sized businesses will not qualify for an exemption and will need to report.

Q: What specific information must be reported?

A: The CTA requires detailed disclosures about both the reporting company and individual beneficial owners. For the company, this includes legal name, address, jurisdiction of formation and taxpayer identification number. For individual owners, it requires personal details like name, address, date of birth and identification numbers.

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Q: How do businesses submit this information?

A: All reporting must be done electronically through FinCEN's online submission portal. This includes initial filings for new entities and updates for any changes in beneficial ownership or company details.

Q: What are the penalties for non-compliance?

A: The CTA imposes civil and criminal penalties for willful failure to report accurate information or update records. These can include daily fines for ongoing violations, as well as substantial fines and potential imprisonment.

Q: How should businesses prepare for compliance?

A: Businesses should start by determining if they fall under the CTA's reporting requirements or qualify for any exemptions. They should gather the necessary information about their beneficial owners and establish processes to ensure ongoing compliance, including regular updates to FinCEN.

Q: Where can businesses get help with CTA compliance?

A: Legal and financial advisors familiar with the CTA's requirements can provide guidance tailored to your organization's specific situation. It is crucial to consult with professionals who understand the nuances of the Act and can help navigate its complexities.

As the Corporate Transparency Act comes into effect, it represents a significant shift in the legal landscape for businesses. By understanding the Act's requirements, determining your business' obligations and setting up processes for compliance, you can navigate these changes smoothly and maintain focus on your core operations. A proactive approach will ensure that your business stays compliant and ahead of any potential issues.

Please reach out to [Christopher Agostino](#) with any questions.

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