



## CORPORATE TRANSPARENCY ACT A New Requirement for Many Small Businesses

This article discusses new reporting requirements under the Corporate Transparency Act (CTA). The CTA requires many businesses to provide a few pieces of ownership information on a new Beneficial Ownership Information (BOI) website maintained by the U.S. Treasury.

[Beneficial Ownership Information](https://www.fincen.gov/boi)  
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***What is the Corporate Transparency Act?*** After a 15-year legislative process, Congress enacted the Corporate Transparency Act as part of the National Defense Authorization Act for Fiscal Year 2021, to provide law enforcement agencies current and beneficial ownership information for businesses where such information is not otherwise available. The purpose of the CTA is to detect and prevent terrorism, money laundering and other misconduct through business entities.

***Reporting companies.*** Affected businesses are known as “reporting companies” and include any company formed by filing a public document with a state agency (or an Indian tribe) such as a secretary of state’s office, including a limited liability company, limited partnership, corporation or similar entity. It also includes any foreign entity which is registered to do business in any state.

Some entities are by their nature not formed by state registration. A general partnership or a trust or estate would normally fit into this category – they are formed by attorneys or by death. General

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partnerships and trusts must also report under the CTA.

**Exempt entities.** Many entities are exempted, such as charities and publicly traded companies, primarily because these entities already are required to provide extensive information to federal and state regulatory authorities. In some cases, entities with more than twenty employees and over \$5 million in gross receipts are also exempted.

**Beneficial owner.** A beneficial owner is an individual who directly or indirectly exercises authority over the operations of the business, or anyone who holds a beneficial interest of twenty-five percent (25%) or more in the company.

**What must be reported.** The reporting company must provide initially, and update upon any change:

- With respect to the company, the full legal name of the company and any trade name it operates under, the street address of the principal place of business, and the employer Identification Number (EIN) of the company.
- With respect to each beneficial owner, the individual's legal name, the individual's date of birth, the individual's residential street address, and unique identifying numbers from government issued identification documents such as driver's licenses or passports (and the image of the document).

The information is provided online to the U.S. Treasury Department's Financial Crimes Enforcement Network (FINCEN) bureau (Beneficial Ownership Information page), the same bureau that handles foreign bank account reporting. FINCEN can then only share any reported information with federal or state law enforcement agencies or, in some cases, law enforcement agencies for foreign governments, such as those with which the U.S. has exchange of information agreements.

**When to report.**

**Existing companies.** For companies formed before January 1, 2024, the information must be reported by December 31, 2024.

**New companies.** For companies formed after December 31, 2023, there is a 30-day window starting the day you receive notification that the registration has been accepted. For example, the secretary of state notifies the comptroller (or department of revenue) that a new entity has been registered and the comptroller then notifies the registered owners (or managers or incorporators) that the registration has

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been accepted, say within three to four weeks after the secretary of state receives the filing. If the papers reach the secretary of state's office on October 31, 2024, and the comptroller sends the owners a notice dated November 20, 2024, the thirty-day clock starts ticking on November 20. Therefore, the FINCEN filing should be built into the formation process of every new company.

*Subsequent change in beneficial ownership.* If there is a change of beneficial ownership information after a filing, including a change of ownership or the address of a beneficial owner, the change must be reported within 30 days.

Failure to file in a timely manner can lead to penalties of up to \$500 per day.

***Manner of reporting.*** The reporting website became live for filing on January 1, 2024. The website has lots of information, including reporting regulations and where the previous reporting form may be accessed. For the time being, online filing through this site will be the only manner of reporting.

***How Brenner Global Associates can help.*** Evidence of CTA compliance should be part of the permanent corporate records of your business. Our firm is familiar with FINCEN filing procedures and is a registered user of the FINCEN platform. BGA can help you with the initial filing and updates for changes in beneficial ownership. BGA can also help you determine whether there is any reporting exemption available to your business (and documenting any exemption). Finally, BGA already collects much of the required information about reporting companies as part of the process of preparing the entity's tax return and can help avoid duplication of information gathering.

## **We are here to assist.**

Please contact us should you have any questions.

Brenner Global Associates

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