



## CORPORATE TRANSPARENCY ACT AND THE NEW FEDERAL REPORTING REQUIREMENTS

September 20, 2024

### WHAT IS THE CTA?

The CTA requires all entities, including preexisting entities, with limited exceptions, to file a report with the Financial Crimes Enforcement Network (FinCEN) of the U.S. Department of the Treasury identifying certain of the entities' beneficial owners.

### WHEN IS IT DUE?

For reporting companies formed prior to January 1, 2024: January 1, 2025.

For reporting companies formed in 2024: within 90 days of formation.

For reporting companies formed on or after January 1, 2025: within 30 days of formation.

### WHO IS RESPONSIBLE FOR FILING?

? The obligation to file is on the entity and persons with substantial control

? Absent a written agreement with Cummings & Lockwood, Cummings & Lockwood is not responsible for filing on your behalf?

### WHO HAS TO FILE?

? Almost all entities formed by filing with a Secretary of State office or equivalent are considered "reporting companies" and have to file, including:

? Corporations

? Limited Liability Companies (including disregarded LLCs)

? Partnerships

? Business Trusts

? Foreign entities that have registered to do business in the U.S.

### WHAT ARE THE PENALTIES FOR NOT FILING?

The CTA permits civil and criminal penalties for willful failure to report complete or updated information: a civil penalty of up to \$500 for each day that a violation is not remedied and a criminal penalty of up to \$10,000 and/or imprisonment for up to two years.

### WHO IS EXEMPT?

**01** Exchange Act Reporting Issuers

**02** Governmental Authorities

**03** Banks

**04** Registered Investment Companies, Investment Advisors, and Broker-Dealers

# CUMMINGS & LOCKWOOD LLC

**05** Licensed Insurance Companies

**06** Registered Accounting Firms

**07** Public Utilities

**08** Tax Exempt Entities

**09** "Large" operating companies that have more than 20 full-time employees in the U.S., have an operating presence at a physical office in the U.S., and reported at least \$5 million in annual recorded gross receipts or sales in prior year's tax return

**10** Wholly-owned subsidiaries of exempt entities

**11** Entities that: (i) were in existence prior to 1/1/2020, (ii) are not engaged in active business, (iii) are owned only by U.S. persons, (iv) have not experienced any change in ownership in the preceding 12 months, (v) have not sent or received more than \$1,000 in preceding 12 months and (vi) own no assets

## **WHAT INFORMATION MUST BE IN THE REPORT?**

?The report must include information about the company, the company's beneficial owners, and, for companies formed after January 1, 2024, the company applicants, which is the person who files the formation or registration documents and the person primarily responsible for directing or controlling such filing.

## **REQUIRED COMPANY INFORMATION?**

- ? Full legal name
- ? Any trade name or D/B/A name
- ? Street address
- ? Jurisdiction of formation/organization
- ? Taxpayer identification number

## **REQUIRED BENEFICIAL OWNER INFORMATION**

- ?? Full legal name
- ? Date of birth
- ? Residential street address
- ? Copy of unexpired (i) passport; (ii) driver's license, or (iii) other identification document issued by a state or local government, along with the corresponding ID number

## **WHO IS A BENEFICIAL OWNER??**

Any natural person who, directly or indirectly, either (i) exercises substantial control over the reporting company or (ii) owns or controls at least 25% of the ownership interests of the reporting company.?

- ? There can be more than one beneficial owner.
- ? There will be at least one beneficial owner.
- ? Entities (and trusts) cannot be beneficial owners. Instead, the grantor, trustee and/or beneficiaries would be the beneficial owners.

## **WHAT ARE OWNERSHIP INTERESTS?**

- ? Any equity, stock, profit sharing participation, etc., regardless of whether voting or non-voting;
- ? Capital or profit interest in LLC or partnership;
- ? Convertible instruments, warrants, options and similar rights to subscribe ( whether or not characterized as debt); or

? Puts, calls, derivatives, etc.

## **WHAT IS SUBSTANTIAL CONTROL?**

An individual exercises “substantial control” if such individual:

1. Is a senior officer;
2. Has authority to appoint or remove certain officers or a majority of directors of the reporting company;
3. Directs, determines, or has substantial influence over important decisions made by the reporting company; or
4. Has any other form of substantial control over the reporting company

Blank reports are available here.

For more information regarding the CTA, please refer to the 2024 Private Clients Annual Update or contact your Cummings & Lockwood attorney.