

February 2024

## CORPORATE TRANSPARENCY ACT COMPLIANCE

**If you own or control a corporation, LLC, or other business organization, then this letter probably applies to you.**

Starting January 1, 2024, most existing or newly formed corporations, LLCs, and other business entities formed by filing with a state are subject to the federal Corporate Transparency Act (“CTA”). The CTA requires most companies to file beneficial ownership information reports (“BOIRs”) with the federal government that describe the company, the company’s “beneficial owners,” and the company’s “applicants.” Failure to comply can result in civil and **felony** criminal penalties.

### **Reporting Companies**

As we have discussed in previous newsletters, a “reporting company” is any entity created by filing with the State of Alaska or another state. Although exceptions exist, they are very narrow. The following examples are illustrative and non-exhaustive:

- “I run a small dental office as a professional corporation. Do I need to comply?” Yes.
- “I just own rental properties through LLCs. Do I need to comply?” Yes.
- “I am just a small business owner. Does Widget Shop, Inc., need to comply?” Yes.
- “My revocable trust owns an LLC. Do I need to comply?” Yes.
- “My corporation has been in business for fifty years. Do I really need to comply?” Yes.
- “My LLC has 21 or more full-time employees and generated more than \$5 million in gross receipts last year.” You are **exempt** as long as this information remains true.
- “I am a CPA. Is Sarbanes-Oxley compliance enough?” It is. CPA firms are exempt.
- “I am a nonprofit corporation’s executive director. Do we need to file?” Tax-exempt 501(c) entities are **not** subject to CTA reporting requirements.

### **Beneficial Owners**

Under the CTA, a “beneficial owner” is any natural person who exercises substantial control over a reporting company, or who owns or controls 25% or more of the company’s ownership interests. Every company has at least one beneficial owner. Generally, it is easy to tell if someone owns or controls 25% or more of a reporting company. But determining who has

“substantial control” can be difficult and depends heavily on facts and circumstances. LLC managers, trustees, CEOs, and anyone who can functionally control a company has “substantial control.” It is important to remember that a person’s authority, not title, determines whether that person has substantial control.

### **Company Applicants**

Company applicants are the people who file company formation paperwork. If a company was formed in 2023 or earlier, then applicant information is **not** reported. Initial BOIRs for companies formed in and after 2024 must include applicants’ identifying information.

### **What must be reported?**

A reporting company must share its full legal name, all trade names and “doing business as” names, its street address, its state of formation, and its tax I.D. number. A reporting company must also report every beneficial owner’s full legal name, date of birth, current residential street address (not a P.O. box), and a unique I.D. number from a government document (e.g., current passport or driver’s license). A photocopy of the identifying document is required.

### **When do you need to report?**

Companies formed before January 1, 2024, must file initial BOIRs before January 1, 2025. Companies formed during 2024 must file initial BOIRs **within ninety (90) days** of formation. Companies formed in 2025 or later must file initial BOIRs **within thirty (30) days** of formation.

When a company’s or beneficial owner’s identifying information changes, an updated BOIR must be filed **within thirty (30) days**. For example, if the reporting company or one of its beneficial owners moves to a new address or changes its name, then a new BOIR must be filed. There is no annual reporting requirement; updated BOIRs only need to be filed if the company’s or a beneficial owner’s identifying information changes.

### **What if I need help?**

CTA compliance is unlike anything most businesses have ever been subjected to. Complying with the new rules can be simple or complex depending on many factors, including the nature of the business, whether the business has multiple owners, and whether business interests are held in trust. Navigating CTA requirements can be challenging. Contact an attorney at Manley & Brautigam P.C. to discuss whether and how our law firm can help you satisfy your CTA compliance requirements.

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