



## ENTREPRENEURSHIP LEGAL CLINIC

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TO: Our Clients and Friends  
DATE: April 15, 2024  
RE: New Reporting Obligations: The Corporate Transparency Act

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We are writing to notify you about the Corporate Transparency Act, a federal law that went into effect on January 1, 2024, and which may impose new reporting obligations on your business.

### ***What is the Corporate Transparency Act?***

In 2020, Congress passed the Corporate Transparency Act along with other laws aimed at deterring various financial crimes, including tax evasion and money laundering. To stop criminal actors from using shell companies to transfer money, the Corporate Transparency Act creates a centralized database that tracks information about U.S. businesses and their owners. Information in the database will not be made public but may be shared with federal law enforcement agencies and other government agencies.

Unless exempt from the Act, businesses must report information about their owners and key personnel to the federal government's database. The Corporate Transparency Act contains some limited exemptions for large businesses and tax-exempt entities, but most U.S. small businesses will be subject to the law.

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

Businesses subject to the law must report information about individuals who either own 25% or more of the business **or** otherwise have authority over the businesses finances (a CFO, for example); this information includes:

- name;
- date of birth;
- address; and
- information from a driver's license or passport.<sup>1</sup>

### ***When must that information be reported?***

Companies legally established before January 1, 2024, must file an initial report by January 1, 2025.

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<sup>1</sup> Financial Crimes Enforcement Network, [U.S. Beneficial Ownership Information Registry Now Accepting Reports](#) (March 20, 2024).

If legally formed in the 2024 calendar year, a company must file its report within 90 days of having received confirmation of the entity formation. Companies created after January 1, 2025, will have 30 days to report following receipt of confirmation of the entity formation.

If there is any change in the information you reported, or new information to be disclosed (for example, a new owner of the company), the law requires your business to submit the new information within 30 days from the day the change occurred.

### ***How do I file my report?***

Companies subject to the Corporate Transparency Act's reporting requirements must do so electronically through FinCEN's BOI E-Filing website (<https://boiefiling.fincen.gov>). There is no fee to submit a filing.

### ***Who administers the Corporate Transparency Act?***

The Corporate Transparency Act is administered by FinCEN, a group within the U.S. Treasury Department that combats financial crimes.

### ***What are the consequences of not submitting a report, submitting a report late, or submitting false or mistaken information?***

The Corporate Transparency Act is a new and untested law, so it is difficult to assess how FinCEN will enforce the reporting requirements. However, FinCEN is authorized to impose civil and criminal penalties on businesses that fail to meet their reporting obligations.

FinCEN is authorized to impose, in the most egregious instances (for example, willful failure to submit a filing), fines of \$500 a day up to \$10,000, and even up to two years imprisonment.

### ***What are most small businesses doing in response to the Corporate Transparency Act?***

The Corporate Transparency Act is expected to affect over 32 million U.S. companies, many of them small businesses.<sup>2</sup> And yet, there is still significant uncertainty as to how it will be enforced or what best practices will emerge as businesses comply with their reporting obligations. Even the legality of the Corporate Transparency Act is uncertain: earlier this month, a federal court in Alabama found the Corporate Transparency Act unconstitutional. However, this ruling is limited only to the parties in that case and the government is appealing, so businesses should prepare to comply with the reporting obligation.<sup>3</sup>

The ELC will continue to monitor the law and FinCEN enforcement and update you should best practices concerning reporting emerge.

More information about the Corporate Transparency Act can be found on FinCEN's [website](#), which includes instructions about the filing process and a [compliance guide for small businesses](#).

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<sup>2</sup> American Bar Association, *The Corporate Transparency Act: Deniers Beware* (July 2023).

<sup>3</sup> Gibson Dunn, *Corporate Transparency Act Declared Unconstitutional: What It Means for You* (Mar. 1, 2024).