

## **REGULATORY WARNING: CORPORATE TRANSPARENCY ACT**

Beginning on January 1, 2024, the Corporate Transparency Act (CTA), enacted in 2021 by Congress will require certain corporations, LLC's, limited partnerships and other similar state filed entities to disclose beneficial ownership information to the Financial Crimes Enforcement Network (FinCEN), a federal bureau within the United States Department of the Treasury. The purpose of the CTA is to strengthen anti-money laundering efforts and those who own these types of state filed entities may need to begin reporting to FinCEN in 2024.

Beginning January 1, 2024, the CTA requires all entities formed by filing a document of formation in a state filing office (such as for corporations, LLC's, limited partnerships, etc., in Maryland's SDAT office), to report certain beneficial ownership information to FinCEN within 30 days of the acceptance of the filing by the state filing office. **Also, any entities that existed prior to 2024 will have to report to FinCEN by January 1, 2025.** This will be a one-time filing requirement, unless there are changes to the information that has been initially reported to FinCEN in which case an update will be required. The report will be filed online with FinCEN through a system to be available on their website. There will be no filing fee.

Exempted from the CTA are large operating companies which are entities that (i) employ more than 20 full time employees in the United States, (ii) have an operating presence at a physical office within the United States, and (iii) have more than \$5,000,000 in gross receipts or sales as demonstrated on a federal income tax return. A beneficial owner of an entity is an individual who directly or indirectly exercises substantial control or owns or controls at least 25 percent of the entity's ownership interest. This may impact many of you reading this regulatory warning as the CTA is targeting small, closely held entities.

An entity existing prior to 2024 will be required to provide information about the entity and its beneficial owners; and all newly filed entities beginning in 2024 need to provide this information plus information about the person or business that assisted with the formation of the entity. The *company information* to be reported will be (i) the full legal name, (ii) trade names or doing business as names, (iii) principal address, (iv) jurisdiction where formed and (v) employer identification number. The *beneficial owner and applicant* information to be reported will be (i) full legal name, (ii) date of birth, (iii) street address, (iv) identifying number from a U.S. passport, driver's license or some other state or local identification document.

For now, just be aware that this reporting requirement may affect some of you who own or control these types of entities. Feel free to contact our office if you would like to discuss further. More information can be found at FinCEN's website at [fincen.gov/boi](https://www.fincen.gov/boi).