

THE JOURNAL RECORD

Gavel to Gavel: New responsibilities under Corporate Transparency Act

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As a reminder, the Financial Crimes Enforcement Network released final reporting rules last year under the Corporate Transparency Act. Despite efforts to delay or overturn the CTA and the rules, at present, any Reporting Company formed on or after Jan. 1, 2024, will have 30 days to submit an initial report, while one

in existence before Jan. 1, 2024, will have until Jan. 1, 2025, to submit an initial report.

What is a Reporting Company?

A Domestic Reporting Company is any corporation, LLC, or other entity created by filing with the secretary of state or similar office, including tribal jurisdictions. A Foreign Reporting Company is any similar entity initially formed under the law of a foreign country and then registered with such office.

What is reported?

A Reporting Company must report its legal and trade name (if any), principal place of business, formation jurisdiction, and identification number, as well as the legal name, birthdate, residential address, and a unique identifier from an acceptable document (along with an image of the document) for each Beneficial Owner.

Who is a Beneficial Owner?

A Beneficial Owner exercises “Substantial Control” over a Reporting Company, such as a senior officer or someone who may make or influence important business decisions. They may also own or control 25% or more of a Reporting Company’s “Ownership Interests,” such as equity or profits interests. Both Substantial Control and Ownership Interests may be held indirectly, such as through a trust.

What if I create an entity for a client?

An attorney overseeing a Reporting Company's formation and their paralegal directly filing formation documents would be "Company Applicants" and must disclose nearly all of the same information as the Beneficial Owners (with a business address instead of a residential address).

What if I don't report?

While there are exemptions to reporting, they are specific and to be applied narrowly. The civil penalty for violating the CTA is a fine of \$500 per day, and criminal penalties include a fine of up to \$10,000, imprisonment, or both. Reporting Companies are generally responsible for compliance, but individuals may be liable.

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