

Corporate Transparency Act Compliance Alert

March 2024

New Beneficial Ownership Reporting Requirements Affecting LLCs and Other Entities Are Now in Effect

The Corporate Transparency Act (CTA) is now in effect. This means that limited liability companies (LLCs), corporations and other entities are now required to electronically file beneficial ownership information reports with the U.S. Department of the Treasury's Financial Crimes Enforcement Network (FinCEN). FinCEN's BOI E-Filing System is live and accepting CTA reports. The reporting system can be accessed here: <https://boiefiling.fincen.gov/>.

Constitutionality Called into Question: On March 1, 2024, the U.S. District Court for the Northern District of Alabama ruled that the CTA was unconstitutional. However, the current impact of the ruling is limited. The government is only enjoined from enforcing the CTA against the plaintiffs in the case, and FinCEN has issued a notice that indirectly asserts that the government will continue to enforce the CTA against nonparties. It is also uncertain whether the current ruling will stand, as the U.S. Justice Department has appealed the Alabama court's decision. Individuals and entities not involved in the case should continue to comply with the CTA while the litigation continues.

Important Dates: An entity's deadline for filing its initial CTA report is based on when it was created or registered to do business.

- Entities created or registered before 2024 must file their initial CTA reports by Jan. 1, 2025.
- Entities created or registered in 2024 must file their initial CTA reports within 90 days of creation or registration.



- Entities created or registered in 2025 or later must file their initial CTA reports within 30 days of creation or registration.
- If there are any updates or corrections to previously reported information, updated or corrected reports must be filed within 30 days.

State Transparency Legislation: In late December 2023, New York enacted the New York LLC Transparency Act, which was modeled on the CTA. The New York law applies to LLCs formed or qualified to do business in New York, and it will take effect on Dec. 21, 2024. The New York law requires the disclosure of beneficial ownership information through a publicly available database. However, when signing the law, New York Gov. Kathy Hochul released a memorandum stating that she had reached an agreement with the New York State Legislature to pass an amendment in 2024 that would limit access to the database to those in government that have a law enforcement interest in the information. It is possible that other states will follow New York's lead.

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Key Takeaways:

- The requirements will apply to privately held LLCs, corporations and other entities formed or registered to do business in any U.S. state (or with any American Indian tribe) for any purpose, including for estate, investment, real estate, tax, privacy or other personal planning.
- Exemptions exist for certain highly regulated entities and other “low-risk” entities, as described in our Key Questions Answered (see link below). Many large operating companies and tax-exempt organizations (such as 501(c)(3) organizations) are exempt and thus excluded from CTA reporting requirements.
- While most trusts used for estate planning would not be considered reporting companies under these requirements, information about a trust’s beneficial owners (settlers, beneficiaries, trustees, etc.) may be reportable if the trust directly or indirectly owns an interest in an entity qualifying as a reporting company.

- The beneficial ownership information will be reported to FinCEN. It will be accessible to authorized government entities but will not be part of any publicly accessible database.
- Civil and criminal penalties may apply to willful reporting violations (including failing to file or providing false beneficial ownership information).

For more information, read our [Key Questions Answered](#) on the CTA.

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