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Think Public and Large Companies Are Entirely Exempt From the Corporate Transparency Act? Think Again.



Here's the intro from this [Client Update](#): "Key portions of the Corporate Transparency Act (CTA) will take effect on January 1, 2024, requiring an estimated 30 million "reporting companies" to disclose to the federal government information and documentation about the entities' beneficial owners and keep that information current.

By broadly requiring entities to identify the individuals that own or control them and also giving the act some teeth—civil and criminal penalties may be imposed on anyone who willfully violates the CTA or causes another to violate the act—Congress intended for the CTA to help prevent bad actors from using the anonymity that is provided by corporate vehicles for illicit purposes.

Not all entities, however, will be required to report beneficial ownership information. Many large companies have presumed that they do not need to evaluate the CTA because they will be able to take advantage of the "large operating company" exemption (among other exemptions that may exclude them from reporting requirements).

These companies often overlook that these exemptions are highly nuanced and typically apply on an entity-by-entity basis rather than to a group of affiliated companies. In many corporate families, there will be entities within an enterprise that do not qualify for an exemption and are subject to the CTA's beneficial ownership reporting requirements. Moreover, even if an exemption applies to an entity when the reporting obligations take effect, it may not in the future, in which case the newly nonexempt entity would be obligated to report beneficial ownership information to the Financial Crimes Enforcement Network (FinCEN), the bureau within the U.S. Department of the Treasury charged with enforcing the act. The bottom line is that every company needs to conduct an entity-by-entity analysis of the application of the CTA.

Given the fast-approaching effective date for these rules, large companies should evaluate now how the CTA may apply to the enterprise's existing corporate structure—and consider how future entities that may be formed

will be evaluated with regard to CTA reporting as well. Importantly, entities formed before January 1, 2024, will have until January 1, 2025, to report. Any entities formed after the first of the coming year will have 90 days to file their reports in 2024 and 30 days to file reports and make required updates thereafter. For this reason, every company will need to adopt risk-appropriate measures to document exemption decisions and monitor for future activities or events (including new entity formations) that trigger CTA reporting or updating obligations."

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