

## [Updates](#)

April 08, 2024

Get Ready for the New York LLC Transparency Act



On March 1, 2024, New York Governor Kathy Hochul signed an amended version of the New York LLC Transparency Act (NYLTA), which was originally signed with provisions for amendments in December 2023.

[1] The NYLTA will go into effect on January 1, 2026 (Effective Date), and it will impose certain beneficial ownership disclosure requirements for limited liability companies (LLCs) formed or authorized to do business in New York. The NYLTA cross-references and mirrors in many respects the federal Corporate Transparency Act (CTA), which went into effect on January 1, 2024. [2] For more information, see our CTA overview [here](#). While there are important commonalities between the two laws, there are also key differences that LLCs formed or authorized to do business in New York should be aware of. The NYLTA is the first state corporate transparency law to be enacted, but similar laws have been proposed in California and Massachusetts.

### **Reporting Obligations**

Under the NYLTA, all existing and newly formed LLCs formed or authorized to do business in New York are considered reporting companies (reporting LLCs), required to report beneficial ownership information (BOI) to the New York Department of State (NY DoS). The NYLTA incorporates the 23 reporting exemptions from the CTA. If the reporting LLC qualifies for one of the 23 exemptions under the CTA, it must file an attestation of exemption, with a statement citing the specific exemption claimed and the facts on which the exemption is based and attesting to its accuracy under penalty of perjury.

Absent a qualifying CTA exemption, a reporting LLC must file a disclosure statement with the NY DoS disclosing information regarding each of its "beneficial owners" and "applicants." The terms "beneficial owner" and "applicant" have the same meanings that the terms "beneficial owner" and "company applicant" have under the CTA with respect to reporting LLCs. A nonexempt reporting LLC must disclose the following information regarding its beneficial owners to the NY DoS: (1) full legal name; (2) date of birth; (3) business address; and (4)

a unique identifying number from an acceptable verification document, such as an unexpired state driver's license, passport, or state identification card or document. The NYLTA does not specify the information requirements for the reporting company, but we expect that similar information required under the CTA will be required by the NY DoS.

*While the initial legislative proposal would have created a public database, information collected by the NY DoS will not be shared publicly.* The information will be collected and stored in an internal database that is accessible to federal, state, and local government agencies to the extent necessary for the performance of official duties.

### **Timing of Filing**

Reporting LLCs formed or authorized to do business before the NYLTA Effective Date will have until January 1, 2027, to make their initial disclosure filings or attestations of exemptions. Reporting LLCs formed or authorized to do business between January 1, 2026, and December 31, 2027, will have 30 days to file their initial disclosure statements or attestations of exemption.

A reporting LLC will also have an obligation to annually file: (1) a statement confirming or updating its beneficial ownership disclosure information (the street address of its principal executive office and the status as exempt company, if applicable, as well as other information as may be designated by the NY DoS); or (2) an attestation of exemption.

### **Liability Provisions**

The NYLTA makes it unlawful for any person to knowingly provide, or attempt to provide, false or fraudulent BOI. There is a safe harbor in place for persons who correct an inaccuracy in a previously filed disclosure statement or attestation of exemption containing inaccurate information within 90 days of the inaccurate submission, so long as the false or fraudulent information was not willfully submitted for the purpose of evading the law.

Any reporting LLC that fails to file its beneficial ownership disclosure, attestation of exemption, or annual statement for a period exceeding 30 days will be shown as past due on the records of the NY DoS, and the attorney general may assess a fine of up to \$500 for each day the company has been past due. Any reporting LLC that fails to make such filings for a period exceeding two years will be shown as delinquent and may be assessed a penalty of up to \$500 for each day a company has been past due or delinquent. Such delinquency status shall be removed upon the filing of the current report, the payment of a \$250 fine, and verification from the attorney general that any penalties imposed have been paid.

If a reporting LLC fails to file its beneficial ownership disclosure or attestation of exemption, the NY DoS, with at least 30 days' notice, may deem the reporting LLC suspended and prohibited from conducting business in New York until such filing has been made. Additionally, the New York attorney general is authorized to bring an action to dissolve or cancel any LLC, or to annul an LLC's authorization to do business in New York, if a reporting LLC is delinquent in filing its beneficial ownership disclosure or attestation of exemption, or it knowingly provides or attempts to provide false or fraudulent BOI.

### **Differences Between the CTA and NYLTA**

The NYLTA was modeled after the CTA, and the two acts overlap in several important respects, such as key definitions (such as those for beneficial owner, reporting company, and exempt company) and reporting exemptions. To date, the U.S. Department of the Treasury's Financial Crimes Enforcement Network (FinCEN)

has published two rulemakings relating to CTA reporting and CTA access, as well as additional guidance in the form of frequently asked questions and a compliance guide. The NYLTA has just been enacted and provides that the secretary of state may promulgate regulations necessary to effectuate the provisions of this article. The NYLTA also highlights certain areas where additional direction from the NY DoS may be forthcoming, including with regard to initial and annual reporting requirements, provisions for sharing information with agencies permitted access, and designated forms.

That being said, there are some notable differences between the CTA and the NYLTA that companies should be aware of:

- **Applicability.** While the CTA applies to all U.S. entities, including corporations, LLCs, and limited partnerships, the NYLTA only applies to LLCs organized under or authorized to do business in the state of New York.
- **Reporting exemption attestation.** The NYLTA requires an LLC that believes it is exempt to file an attestation of exemption with the NY DoS, indicating which of the 23 exemptions in the CTA it wishes to qualify for and the annual reporting requirement, including the status as an exempt company, if applicable. The CTA has no requirement for an exemption attestation or an annual report on exemption status.
- **Annual reporting.** Unlike the NYLTA, the CTA does not require annual reporting and requires updated and corrected reports when certain information changes or needs to be corrected.
- **Timing.** Under the CTA, entities formed between January 1, 2024, and December 31, 2024, will have 90 days to file their initial reports in 2024. Entities formed after January 1, 2025, will have 30 days to report. Under the NYLTA, LLCs formed or authorized on or before the Effective Date will have until January 1, 2027, to make their initial filing. LLCs formed or authorized to do business after the Effective Date must file the initial beneficial ownership disclosure or attestation of exemption within 30 days of formation or authorization. So there is plenty of time for LLCs formed or authorized to do business in New York to collect and file the required information reports.
- **Reportable information.** There is no requirement in the NYLTA to provide an image of the document from which the unique identifying number is derived, unlike under the CTA. The CTA also prescribes information requirements for the reporting company, including specific information such as trade name or "doing business as" name and principal place of business or primary location where the reporting company conducts business. The NYLTA does not (yet) specifically address disclosure requirements for the reporting company; however, it does defer disclosure requirements to the form and manner prescribed by the NY DoS, which we expect to include reporting LLC information similar to the CTA.
- **Accessibility.** The NYLTA allows access to the information collected to federal, state, and local government agencies to the extent necessary for the agency to perform its official duties, to operate a program specifically authorized by law, or for a valid law enforcement purpose. Under the CTA, access to the FinCEN database is much more restricted and subject to a prescriptive access rule that authorizes FinCEN to disclose BOI under specific circumstances to six categories of recipients, and each recipient is subject to specific security and confidentiality requirements to protect the security and confidentiality of BOI.
- **Identifiers.** The CTA allows individuals to obtain FinCEN IDs from FinCEN to be used in lieu of the personal identifying information required to be reported on beneficial ownership reports. The NYLTA does not address or permit the use of identifiers.
- **Penalties.** The penalties for noncompliance with the NYLTA are not as severe as those under the CTA. Reporting LLCs that fail to file a BOI report or attestation of exemption for over 30 days will be marked as past due and, after two years, will be marked as delinquent on the records of the NY DoS and would most likely be unable to obtain a certificate of good standing. The delinquency can be remedied by filing a BOI report or attestation of exemption and paying a civil penalty of \$250. The CTA, on the other hand, provides for criminal penalties of up to two years imprisonment for reporting violations; the NYLTA does

not impose any criminal penalties. However, the CTA caps daily specified penalty amounts at \$10,000 in the aggregate, and the NYLTA does not impose any aggregate penalty caps on its daily specified penalty amounts.

## Other State Initiatives

In addition to New York, other states are also considering imposing beneficial ownership disclosure requirements.

- **California.** The California Senate is currently considering a bill that would require foreign corporations and LLCs that register with the California Secretary of State to do business in the state to disclose BOI. The bill defines "beneficial owner" as "a natural person who owns, directly or indirectly, 50% or more of the equity interest of a foreign corporation or foreign LLC." Companies would be required to disclose each beneficial owner's (1) full legal name; (2) residential or business address; and (3) email address, if applicable.[\[3\]](#)
- **Massachusetts.** The Massachusetts House of Representatives introduced a bill in March 2023 proposing disclosure of beneficial ownership of both domestic and foreign LLCs.[\[4\]](#)
- **Pennsylvania.** Pennsylvania has adopted Act 122, establishing a new annual corporate reporting regime that will require all domestic corporations, domestic limited liability partnerships, domestic electing partnerships, and foreign entities registered to do business in Pennsylvania to provide the name of governors/directors and the names and titles of principal officers (if any), among other information, along with their annual registration statement. Entities must first file such reports the year after they become subject to Act 122. The Act is effective as of January 3, 2024, so reports will not be due until 2025.[\[5\]](#) The Pennsylvania law is a partial transparency regime, as it does not require information on equity ownership, focusing instead on those in positions of control.

## Takeaways

LLCs formed under New York law and foreign LLCs authorized to do business in New York should be aware that, starting January 1, 2026, they will likely face parallel beneficial ownership reporting obligations under the CTA and the NYLTA. Reporting LLCs should be aware of the key differences between the CTA and the NYLTA reporting requirements. Reporting LLCs who believe they qualify for an exemption under NYLTA will need to file an initial and annual attestation to this effect with the NY DoS, citing the specific exemption for which they believe they qualify and the facts upon which such exemption is based.

As a result, companies currently conducting reviews of their CTA exemptions for FinCEN filings should document the rationale for the exemption in their files so that they can more easily identify and file exemption justifications for purposes of these NYLTA requirements. In addition, companies that are developing CTA policies and procedures should incorporate applicable state laws into their policies or, at a minimum, include a placeholder acknowledging the potential application of state laws of similar substance. Annual filing requirements and other unique aspects of state laws will need to be integrated into these policies and procedures as appropriate.

Companies should also monitor similar legislative efforts in other states, such as Massachusetts and California. Other states may soon follow suit with their own reporting regimes, adding to the complexity of existing compliance obligations for companies.

We expect that the NY DoS will issue regulations and additional clarifying information to implement this comprehensive reporting regime and that more states will join New York and pass similar legislation. We will publish further Updates as more developments in these areas unfold.

For more information regarding federal beneficial ownership information reporting requirements under the CTA, see our more detailed [Update](#) on the subject.

## Endnotes

[1] New York [Senate Bill 995-B](#) (enacted December 22, 2023), as amended by Chapter Amendment on March 1, 2024 ([Senate Bill 8059](#)/Assembly Bill 8544). The 2024 Chapter Amendment changed the effective date of the NYLTA to January 1, 2026, and prior to the 2024 Chapter Amendment, the NYLTA allowed a reporting LLC to submit to the NY DoS a copy of its CTA report filed with FinCEN. Under the amended act, submitting the federal beneficial ownership information report filed with FinCEN will no longer satisfy the NYLTA reporting requirements.

[2] *Title LXIV of the William M. (Mac) Thornberry National Defense Authorization Act for Fiscal Year 2021, Public Law 116-283* (January 1, 2021) (the NDAA). Division F of the NDAA is the Anti-Money Laundering Act of 2020, which includes the CTA.

[3] [SB-738](#), as amended March 21, 2023.

[4] [H.3566](#), 193 Gen. Ct. (Ma. 2023).

[5] Act of November 3, 2022, P.L. 1971, No. 122.

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