

# The Corporate Transparency Act: New Disclosure Requirements to Take Effect

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Starting Jan. 1, 2024, the Corporate Transparency Act (CTA) will require all reporting companies to regularly disclose certain information on their beneficial owners to the U.S. Treasury's Financial Crimes Enforcement Network, or FinCEN. This client alert provides an overview of those reporting requirements, including who must report, what must be reported, when it must be reported and how to report.

## **Who must disclose?**

The Corporate Transparency Act applies to all foreign and domestic companies that are created or registered by the filing of a document with a secretary of state or similar office under the law of a state or Indian tribe. The act allows for several exceptions to this requirement, including for some financial institutions, banks, stockbrokers, insurance companies, accounting firms and other financial companies that are already regulated by other agencies.

## **What must be disclosed?**

Reporting companies must disclose identifying information of any person who exercises substantial control over a reporting company or owns or controls at least 25% of the ownership interests of a reporting company. FinCEN has indicated that it will look beyond simple personal ownership to determine whether a person owns or controls at least 25% of a reporting company, so reporting companies should cast a wide net when attempting to identify beneficial owners.

## **Where does this rule come from?**

Congress passed the Corporate Transparency Act in 2020 as part of the Anti-Money Laundering Act of 2020. The beneficial ownership information reporting requirements are codified at 31 U.S.C. § 5336. The statute also directs FinCEN to promulgate rules for the enforcement of this requirement. FinCEN published a final rule under this directive on Sept. 30, 2022. The text of the rule is available at 31 C.F.R. § 1010.

## **When should disclosures be filed?**

While the CTA's disclosure requirement takes effect Jan. 1, 2024, reporting companies will have time to prepare disclosures after that. For companies in existence before Jan. 1, 2024, the due date for initial disclosures is Jan. 1, 2025. For companies created or registered after Jan. 1, 2024, the disclosure will be due within 30 days of notice of the company's creation or registration. After filing the initial report, companies will have an ongoing obligation to report changes in beneficial ownership information to FinCEN.

## **Why should companies disclose?**

Companies may face both civil and criminal penalties for failing to comply with the CTA's reporting requirements, for providing false or incomplete information, or for failing to correct or update out of date or inaccurate information.

## **How can Benesch help?**

Benesch attorneys can help with the process of identifying beneficial owners, preparing an acceptable disclosure or identifying whether your company is exempt from this requirement altogether.

**Our White Collar, Government Investigations & Regulatory Compliance group is here to help at any stage of the process. Whether you're facing a disclosure, an investigation or an enforcement action, our experienced team can help navigate whatever challenges you may face.**

**For additional information, please reach out to a member of the team:**

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