

# THE CORPORATE TRANSPARENCY ACT

## PART 1 — AN OVERVIEW

On January 1, 2021, Congress enacted the Corporate Transparency Act (the "CTA") as part of the Anti-Money Laundering Act of 2020 and its annual National Defense Authorization Act. The new legislation requires certain entities to report information about their owners, management and the individuals who helped create the entities to the U.S. Department of the Treasury's Financial Crimes Enforcement Network ("FinCEN"). The information reported to FinCEN is intended to assist law enforcement in combating money laundering, tax fraud, terrorist financing, and other unlawful activities that occur through shell and front companies.

This is the first article in a new series about the CTA. This edition will provide a general overview of the CTA, who is required to comply, and the timeline for compliance.

### What is the Corporate Transparency Act?

The CTA requires specific business entities, referred to as "reporting companies," to report specific information about the entity, its beneficial owners, and its "company applicants" (the individuals who helped create or register the entity in the US).

- A reporting company itself is responsible for filing the report and for updating or correcting any changes to previously reported information about the reporting company and its beneficial owners.
- These reports will be filed with FinCEN and maintained in a secure, nonpublic database.
- To learn more about what information is required to be reported and who qualifies as a beneficial owner or company applicant, please read our other articles in this series: [The Corporate Transparency Act \(Parts 1-4\)](#).

### Which entities must file BOI reports under the CTA?

Any entity that qualifies as a domestic or foreign reporting company must file beneficial ownership reports ("BOI") with FinCEN, unless specifically excluded under one of the enumerated exemptions.

- A domestic reporting company is any entity that is a corporation, limited liability company, limited partnership, or other similar entity that is created by the filing of a document with a secretary of state or any similar office under the law of a state.
- A foreign reporting company is any entity that is a corporation, limited liability company, limited partnership, or other similar entity formed under the law of a foreign country and is registered to do business in any state by the filing of a document with a secretary of state or any similar office under the law of a state.

### Which entities are exempt from reporting requirements under the CTA?

The CTA specifically exempts 23 categories of companies that would otherwise be required to file BOI reports. The following list briefly outlines the entities excluded from the definition of "reporting company" in Section 101.380(c)(2) of the CTA. These exemptions are discussed in further detail here: [The Corporate Transparency Act \(Part 2\)](#).

- Securities Reporting Issuers / Public Companies
- Government Authorities
- Banks
- Credit Unions
- Depository Institution Holding Companies
- Money Services Businesses
- Brokers or Dealers in Securities
- Securities Exchanges or Clearing Agencies
- Other Securities Exchange Act of 1934 Registered Entities
- Registered Investment Companies and Investment Advisers
- Venture Capital Fund Advisers
- Insurance Companies
- State-Licensed Insurance Producers
- Commodity Exchange Act Registered Entities
- Public Accounting Firms
- Public Utilities
- Financial Market Utilities
- Pooled Investment Vehicles



# Corporate Transparency Act (Part 1): An Overview

*Continued*

- Tax-Exempt Entities
- Entities assisting a Tax-Exempt Entity
- Large Operating Companies
- Inactive Entities
- Subsidiaries of Certain Exempt Entities

## When does the CTA take effect?

The CTA takes effect on **January 1, 2024**.

- Any reporting company that is created or registered *before* January 1, 2024, must file a BOI report no later than January 1, 2025.
- Any reporting company that is created or registered on or *after* January 1, 2024, must file a BOI report within **30\*** calendar days of the earlier date on which:
  - It receives actual notice that its creation or registration has become effective; or
  - A secretary of state or similar office first provides public notice that the reporting company has been created or registered.

***\*FinCEN has recently extended this deadline to 90 calendar days for reporting companies created or registered in 2024. Reporting companies created or registered on or after January 1, 2025, will continue to have 30 calendar days to file their BOI reports.***

BOI reports must be filed with FinCEN electronically on [FinCEN's website](#). For more information on the Corporate Transparency Act and to further understand the extent of your company's reporting obligations, please read our other articles in this series: [The Corporate Transparency Act \(Parts 1-4\)](#). Or contact your Winstead relationship attorney.