

The Corporate Transparency Act is Coming, But FinCEN Grants A Little More Breathing Room

Article
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In a significant update to the upcoming implementation of the Corporate Transparency Act (CTA), the Financial Crimes Enforcement Network (FinCEN) has extended the filing deadline for reporting entities formed between January 1, 2024, and December 31, 2024, to 90 calendar days from the date of formation to submit their initial reports. This change aims to address concerns about a potential rush of filings and provide businesses and practitioners with extended time to navigate the complexities of the new filing obligations.

Overview of Corporate Transparency Act (CTA)

The Corporate Transparency Act (CTA) goes into effect on January 1, 2024, and imposes on many new and existing entities the obligation to report to the Financial Crimes Enforcement Network (FinCEN) information regarding an entity's beneficial ownership. FinCEN, a bureau of the U.S. Department of Treasury, collects and analyzes financial information to combat domestic and international money laundering, terrorist financing, and other financial crimes. For those who have read about the U.S. civil and criminal crackdown over the last decade on unreported foreign bank accounts, that activity also stems from the obligation taxpayers have to file information regarding foreign bank accounts with FinCEN.

Entities Covered and Reporting Obligations

The CTA imposes on domestic entities formed by filing a document with a secretary of state or similar office an obligation to file a beneficial ownership information report with FinCEN unless an exemption exists. The list of entities that are covered by the CTA include corporations, limited liability companies, business trusts, and limited partnerships. The impact of this reporting obligation will be widespread, and most businesses will be impacted. A copy of our recent in-depth discussion regarding the CTA and its reporting obligations can be found [here](#).

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Initial Reporting Deadline Concerns

Reporting companies that are currently in existence have until January 1, 2025 to file their initial report with FinCEN. Of more immediate concern, the CTA only gives companies formed on or after January 1, 2024 a brief period of 30 calendar days from the date of formation to make their initial report. This meant that thousands of filings would start to become due as early as January 31, 2024, a looming deadline that would result in a rush of filings that would inevitably result in confusion and concern as to whether those filings were correctly made.

FinCEN's Response: Deadline Extension

Responding to concerns regarding the initial reporting deadline, FinCEN has increased to 90 days the filing deadline for those reporting entities that are formed between January 1, 2024 and December 31, 2024. While this extension only applies for entities formed next year, it gives businesses and practitioners some critical extra breathing room as we navigate the complexities that this new filing obligation imposes. This extra time to ensure filings are properly made is crucial, as the CTA makes it unlawful for anyone to provide false information or willfully fail to report or update beneficial ownership information to FinCEN.

Importance of Compliance and Consequences

Any person violating their obligation to report to FinCEN may be subject to a civil penalty of up to \$500 for each day a violation continues without being remedied, limited up to \$10,000 per violation, imprisonment for up to 2 years, or both.

If you have questions about the CTA and your reporting obligations, Lowndes is here to help. Please reach out to any of the business attorneys for guidance, or to your personal contact who will put you in touch with someone that can assist you.