

LEGAL ALERT

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BUSINESSES SHOULD START PREPARING FOR THE CORPORATE TRANSPARENCY ACT NOW

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The Corporate Transparency Act (“CTA”) takes effect January 1, 2024, and brings with it significant new reporting requirements for most privately-owned businesses operating in the United States by requiring the disclosure of a reporting company’s beneficial ownership information (“BOI Reports”) with the [Financial Crimes Enforcement Network](#) (“FinCEN”) of the [United States Treasury](#). Understandably, business owners are nervous and anxious about CTA compliance.

Entities in existence before January 1, 2024, have the entire calendar year of 2024 to file their Beneficial Owner Information reports with FinCEN. Although there is no “preemptive” or early filing option available, there are a few simple steps that business owners can take to prepare before the new year. Taking these steps now can ensure that an accurate, efficient, and timely report is filed with FinCEN in 2024.

1. CONSIDER WHETHER AN EXEMPTION APPLIES

First, business owners should review (or discuss with counsel) the twenty-three (23) enumerated exemptions to the CTA to determine if their company qualifies. Information about these exemptions can be found at the following link: [BOI Small Compliance Guide \(fincen.gov\)](#). Despite there being many exemptions, FinCEN anticipates that most privately owned businesses will be subject to the CTA, projecting that more than 30 million BOI Reports will be filed in 2024.

2. LOCATE AND COMPILE BOI REPORT DOCUMENTATION

Owners with businesses that are subject to the CTA should further ensure that they (or their counsel) have proper documentation of the entity’s ownership. This means ownership records should:

- (a) be **current** as to the entity’s legal structure
- (b) be current as to the identity(ies) of the entity’s owners
- (c) clearly delineate the amount of equity each owner holds
- (d) identify the entity’s directors, officers, managers or other key personnel.

The ownership analysis becomes a bit more challenging for entities that are owned by trusts or holding companies. Ownership via trust may require conversations with an estate planning attorney or other counsel to determine who, within the trust, is the beneficial owner of the assets and if applicable, exercises substantial control over the reporting company. The CTA requires such individuals, and not the trust itself, be reported to FinCEN. Likewise, holding companies will need to be analyzed to determine ownership and control.

3. REVIEW OPERATIONS AND MANAGEMENT

After analyzing ownership, business owners should review their internal documentation and operations to verify what management and control structures in place, including identifying boards of directors (or equivalents), senior officers (e.g., CEO, CFO, COO, etc.), and other managers who exercise substantial control over a company's decisions and business. If there are informal job titles or no job titles, then the business owners must be able to determine how business operations are being controlled and by whom. Having an entity's ownership and management structure clearly documented will allow business owners to identify which individuals will be subject to CTA reporting. This will make it easier to collect and report their personal information to FinCEN, when reporting obligations begin on January 1, 2024.

Ultimately, beginning next year, CTA reporting companies will be required to disclose beneficial ownership information to FinCEN by filing BOI Reports. Failure to accurately and timely do so may result in the imposition of fines and penalties by FinCEN. For more information, please visit our [central CTA Information Hub](#).

Hahn Loeser and Parks LLP has assembled a team to assist and advise business owners with CTA compliance. Hahn Loeser's CTA Task Force is a multi-faceted committee dedicated to providing clients with a seamless transition to CTA compliance. Members of the Task Force are available to clients to discuss their specific CTA concerns and unique business needs.

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