



EDUCATIONAL ARTICLE

LITTLETON LEGAL PLLC, SEPTEMBER 2024

THE CORPORATE TRANSPARENCY ACT: WHAT YOU NEED TO KNOW NOW WITH LITTLETON LEGAL PLLC

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If you own a business or are involved in a business, there's a crucial new law you need to know about: the Corporate Transparency Act (CTA). This legislation, aimed at combating money laundering and other financial crimes, has far-reaching implications for millions of Americans. Let's break down what this means for you and why you need to take action.

Understanding the Corporate Transparency Act

Effective January 1, 2024, the CTA is intended to provide law enforcement with beneficial ownership information to detect, prevent, and punish terrorism, money laundering, and other misconduct through business entities. The CTA requires certain businesses to report information about their beneficial owners to the Financial Crimes Enforcement Network (FinCEN). This includes details such as names, birthdates, addresses, and identification numbers. While the intent is to increase corporate transparency and prevent illicit activities, it creates new obligations for millions of small businesses and individuals.

The CTA aims to accomplish its goals through stringent regulatory requirements that will impact most LLCs, corporations, limited partnerships, and other closely held entities. It also impacts the members and shareholders of those entities and, in many cases, the trustees of trusts that own the membership interest. Managers and officers of companies can also be impacted, even if they do not own membership interest or shares.



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Who Needs to Report?

You might be thinking, "This doesn't apply to me, right?" Think again. The CTA casts a wide net, affecting:

- Almost all business owners
- Entrepreneurs
- Individuals that have LLCs as part of their estate plan or business strategy
- Trustees of trusts that own LLCs or corporations
- Managers and officers of closely held companies
- Passive investors or silent partners in closely held companies
- Individuals with estate plans involving LLCs or other corporate entities

This is not a comprehensive list. It is estimated that over 33 million business entities are impacted by the CTA. If you think you may be impacted, we recommend that you assume that you need to report under the CTA until you know with certainty that you are exempt. A business attorney can evaluate your business (or your relationship to an applicable business) to see if any of the exemptions apply. If you are required to report under the CTA, we can assist you with compliance.

What Happens If I Fail to Comply with the Corporate Transparency Act?

The penalties for failing to comply with the CTA are severe. Violations can result in:

- Civil penalties of up to \$500 per day
- Criminal fines of up to \$10,000
- Imprisonment for up to two years

The price of non-compliance underscores the importance of taking this new law seriously and acting promptly.

When Does My Business Need to Report?

The answer to this question depends on when your company was created or registered.

- Existing companies created before January 1, 2024, have until January 1, 2025, to file their report.
- Companies created or registered on or after January 1, 2024, and before January 1, 2025, have 90 calendar days from receipt of notice that its creation or registration is effective, to file their report.
- Companies created or registered on or after January 1, 2025, will have 30 calendar days from receipt of notice that its creation or registration is effective, to file their report.
- You are also required to update your reportable information within 30 days any time it changes.



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The Ticking Clock: Why You Shouldn't Wait

The deadline for existing businesses to report is December 31, 2024. While that might seem far off, there are compelling reasons to act sooner:

- • Avoid the last-minute rush
- • Ensure access to professional assistance
- • Prevent potential system overloads as the deadline approaches

Remember, procrastination could lead to non-compliance, which comes with steep consequences. Be proactive in speaking with your business attorney about the services they offer regarding CTA compliance. Many of them will be assisting hundreds of business owners between now and then end of the year, so it may be more difficult than it usually is to make an appointment.

Steps to Take Now

1. Determine if you're affected: Review your business structures and estate plans to identify any reportable entities.
2. Gather necessary information: Start collecting the required details for each beneficial owner.
3. Consult with professionals: Reach out to your business attorney for guidance on compliance.
4. Mark your calendar: Set reminders well ahead of the deadline to ensure timely filing.
5. Stay informed: Keep an eye out for updates or changes to the reporting requirements.

Protecting Your Privacy

Some individuals may have concerns about the privacy implications of the CTA. While the law does include provisions to protect the confidentiality of the reported information, it's understandable to feel uneasy. Discussing these concerns with a legal professional can help you understand your rights and explore any available options for maintaining privacy while complying with the law.



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The Silver Lining

While the CTA does create new obligations, it's also an excellent opportunity to review and update your business structures and estate plans. This process might reveal areas for improvement or optimization in your current arrangements.

Conclusion

The Corporate Transparency Act represents a significant shift in business reporting requirements. By understanding your obligations and taking action now, you can ensure compliance, avoid penalties, and potentially improve your overall business and estate planning strategies. Don't procrastinate – you deserve the peace of mind that your business is compliant with new regulations.



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