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CORPORATE TRANSPARENCY ACT

Part 1: The Law

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What is the CTA?

- The Corporate Transparency Act (the "CTA")
- Enacted as part of the Anti-Money Laundering Act of 2020
- Implemented by the Financial Crimes and Enforcement Network ("FinCEN")
- Establishes reporting obligations that will require <u>reporting</u> <u>companies</u> to file a report with FinCEN identifying <u>beneficial</u> <u>owners</u> and <u>company applicants</u>
- Designed to primarily apply to smaller, private entities, not large or otherwise highly regulated companies

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What Has Happened Since January 1, 2024?

- FinCEN launched its BOI E-Filing System on January 1st
- Reports can be filed, and individuals can obtain FinCEN Identifiers, on FinCEN's website (https://www.fincen.gov/boi)
- BOI Access and Safeguards final regulations went into effect on February 20th
- FinCEN has continued to update its FAQs
- As of May 6th, over 1.7 million entities had filed BOI reports (with 32.6 million reports expected to be filed in 2024)

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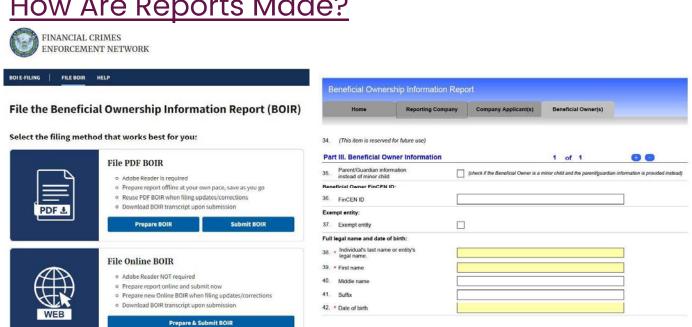
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Is the CTA Constitutional?

- On March 1st, an Alabama district court found the CTA unconstitutional in *National Small Business United v. Yellen*.
- **BUT**...the injunction issued in that case only prohibits enforcement of the BOI reporting requirements against the plaintiffs, including then members of the National Small Business Association.
- FinCEN has appealed.
- Additional cases have been filed in other jurisdictions (including *Texas Top Cop Shop v. Garland* in Texas).

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How Are Reports Made?



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What Entities Are "Reporting Companies"?

- Domestic entities created by the filing of a document with a secretary of state or similar office of a U.S. state or Indian tribe
 - FAQ C.7 (1/12/2024): Includes U.S. territories Puerto Rico, Northern Mariana Islands, American Samoa, Guam, and the U.S. Virgin Islands
- Similar foreign entities registered to do business in the United States

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