



SMALL BUSINESSES AND THE NEW CORPORATE TRANSPARENCY ACT: WHAT YOU NEED TO KNOW

A legal information resource by the Neighborhood Entrepreneur Law Project

The **Corporate Transparency Act (CTA)**, which went into effect on January 1, 2024, was enacted as part of the Anti-Money Laundering Act of 2020, intended to combat illegal finance and money laundering. It requires the reporting of beneficial ownership information with the United States **Financial Crimes Enforcement Network (FinCEN)** by certain entities formed or registered in the United States.

Which Entities Must Report?

The CTA applies to corporations, limited liability companies and other entity types that are created in the United States through a filing with the Secretary of State. These entities are called **reporting companies**.

However, exemptions exist for certain types of entities, including nonprofits, inactive entities, and specific trusts. Please see the FinCEN website for the [full list of exemptions](#).

What Information Must Be Reported?

Reporting companies must file **Beneficial Ownership Information (BOI)** reports with FinCEN. The information required in these reports varies based on when the reporting company was formed. The reports require basic entity information, details about beneficial owners and information about company applicants, based on when the entity was formed. Entities established before January 1, 2024, do not need to provide company applicant information. See FinCEN website for [specific reporting requirements](#).

Who is a Beneficial Owner?

A beneficial owner is an individual with (1) substantial control over the reporting company's decisions or operations, or (2) an individual who owns or controls at least 25% of the reporting company's ownership interests.

What Information Must be Reported About Beneficial Owners?

For each beneficial owner, the required information includes their name, date of birth, residential address, and identification details from an acceptable document such as a valid passport or U.S. driver's license.

When Must Entities Report?

Reporting timelines vary depending on the entity's formation or registration date:

- Existing entities formed or registered before January 1, 2024, must file an initial report by January 1, 2025.
- Entities created or registered between January 1, 2024, and January 1, 2025, have a 90-day window after the date of formation to file the initial beneficial ownership information report.
- Entities formed or registered after January 1, 2025, will have 30 days after the date of formation to submit the initial report.

Is There a Fee or Annual Reporting Requirement?

No, there is no fee for submitting the Beneficial Ownership Information report to FinCEN. Additional reports are only necessary when there is a change to any previously reported information about the entity or the beneficial owners. Such reports must be filed within 30 days after a change occurs.

How to Report to FinCEN:

Reporting companies are required to submit the necessary information electronically through FinCEN's website at: <https://boiefiling.fincen.gov/>

Noncompliance:

Noncompliance can carry severe penalties, including fines and imprisonment, for those who willfully violate BOI reporting requirements and provide false information or fail to report complete or updated beneficial ownership information to FinCEN.

As the CTA implementation has gone into effect, it is important to comply with these new reporting requirements. For further information about navigating the Corporate Transparency Act, you can watch NELP's recorded webinar on **Small Businesses & the NEW Corporate Transparency Act** which was held on **February 28, 2024**. To access the video, please click [here](#).

Resources:

- Financial Crimes Enforcement Network (FinCEN): <https://www.fincen.gov/boi>
- FinCEN BOI FAQ's: <https://www.fincen.gov/boi-faqs>
- BOI Small Entity Compliance Guide: <https://www.fincen.gov/boi/small-entity-compliance-guide>

NEED LEGAL HELP?

The City Bar Justice Center's Neighborhood Entrepreneur Law Project (NELP) provides free legal support to microentrepreneurs of limited economic means who seek to achieve financial stability through entrepreneurship. By providing free legal services to communities that have been traditionally disenfranchised, we help NELP clients achieve financial independence and break the cycle of poverty created by systemic inequality, while bringing jobs and services to the communities where they live and work.



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