



March 2024

CORPORATE TRANSACTIONS CLIENT ALERT

SHOOK
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Corporate Transparency Act Imposes New Business Reporting Requirements

On January 1, 2024, a majority of companies registered to do business in the United States will be subject to new federal reporting requirements with stiff penalties for failing to comply. The Corporate Transparency Act imposes reporting requirements on a wide variety of businesses in an effort to prevent money laundering, terrorist financing, and other fraudulent and illicit activity. The law is notable in its reach—small businesses, family offices, holding companies (including real estate holding companies), and other companies that do not have separate federal reporting obligations are targets. Additionally, large companies should evaluate their organizational charts to determine which affiliates must submit the new reports.

Each company subject to the law (a “Reporting Company”) must file a report with the Financial Crimes Enforcement Network (FinCEN). Among other things, the Reporting Company’s obligations include:

- Identifying each beneficial owner of the company. Beneficial owners may be a variety of individuals with ownership interests, whether consisting of stock, membership units, or even convertible debt. Beneficial owners may also be individuals exercising “substantial control” over the business, which may include officers, board members, or some employees. Beneficial owners may have direct involvement in the company or exercise their ownership or control through companies higher up the organizational chart.
- For companies created on or after January 1, 2024, the company must report the name and identifying details of the individual filing the company’s registration paperwork with a

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Sandy Hawley
*Chair, Corporate Services
Practice Group*
816.559.2471
shawley@shb.com

state's Secretary of State's office. The company must also report the name of the person directing this filing.

- For new companies created on or after January 1, 2024, the company must submit its report to FinCEN within 30 days of formation (although FinCEN has proposed extending this deadline to within 90 days of formation).
- For companies in existence as of December 31, 2023, the company must submit its report to FinCEN on or before January 1, 2025.
- Penalties for failing to comply may amount to \$500 per day. Knowing violations carry stiffer penalties.
- FinCEN will begin accepting reports on January 1, 2024.

The Corporate Transparency Act is among the most significant new reporting obligations in a generation. Shook attorneys have been monitoring this law, and Shook stands ready to help analyze your company's compliance requirements and assist with other corporate and transactional needs. Please contact us with any questions.



James Mayor

Partner

713.546.5623

jmayor@shb.com



Dan Schwaller

Partner

816.559.2302

dschwaller@shb.com



Andrew Dockter

Senior Counsel

816.559.2690

adockter@shb.com



Mareta Smith

Senior Counsel

816.559.2475

msmith@shb.com

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