

Crucial Update Regarding the Corporate Transparency Act and Related Filing Deadlines

Corporate Transactions & Financial Services Alert

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Background

The Corporate Transparency Act of 2019 (CTA) was enacted to create a federal database of the beneficial ownership information of certain entities and provide law enforcement with access to such data. As of January 1, 2024, certain entities (Reporting Companies) have been required to file beneficial ownership information reports (BOI Reports) with FinCEN, a department within the U.S. Department of the Treasury. BOI Reports identify who owns or controls certain entities and the applicants who formed or registered these entities. Reporting Companies include (1) domestic legal entities created by the filing of a document with a secretary of state or similar office, and (2) foreign legal entities that have registered to do business in any U.S. State or Tribal jurisdiction by filing a document with a secretary of state or similar office. However, the CTA exempts twenty-three (23) categories of entities from the CTA's beneficial ownership information reporting requirements.

Under the CTA, willful failure to complete or update an entity's BOI Reports or providing false or fraudulent information can result in civil or criminal penalties. Civil penalties include monetary fines of up to \$500 for each day that the violation continues, while criminal penalties include imprisonment for up to two years and/or a fine of \$10,000.

Update

On December 23, 2024, the U.S. Court of Appeals for the Fifth Circuit granted a stay of the preliminary injunction that was entered by a federal district court in Texas on December 3, 2024 that enjoined enforcement of the CTA nationwide. Given that

December 23, 2024 decision, FinCEN has published the following guidance, recognizing that Reporting Companies may now need additional time to comply with the CTA given the period when that preliminary injunction had been in effect:

- Reporting Companies that were created or registered prior to January 1, 2024 have until January 13, 2025 to file their initial BOI Reports with FinCEN.
- Reporting Companies created or registered in the United States on or after September 4, 2024 that had a filing deadline between December 3, 2024 and December 23, 2024 have until January 13, 2025 to file their initial BOI Reports with FinCEN.
- Reporting Companies created or registered in the United States on or after December 3, 2024 and on or before December 23, 2024 have an additional 21 days from their original filing deadline to file their initial BOI Reports with FinCEN.
- Reporting Companies that qualify for disaster relief may have extended deadlines that fall beyond January 13, 2025. These companies should abide by whichever deadline falls later.
- Reporting Companies that are created or registered in the United States on or after January 1, 2025 have 30 days to file their initial BOI Reports with FinCEN after receiving actual or public notice that their creation or registration is effective.

If you have any questions about this article, please contact any of the attorneys listed below or your usual Brach Eichler contact person.

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