

THE CORPORATE TRANSPARENCY ACT

PART 1 — AN OVERVIEW

On January 1, 2021, Congress enacted the Corporate Transparency Act (the "CTA") as part of the Anti-Money Laundering Act of 2020 and its annual National Defense Authorization Act. The new legislation requires certain entities to report information about their owners, management and the individuals who helped create the entities to the U.S. Department of the Treasury's Financial Crimes Enforcement Network ("FinCEN"). The information reported to FinCEN is intended to assist law enforcement in combating money laundering, tax fraud, terrorist financing, and other unlawful activities that occur through shell and front companies.

This is the first article in a new series about the CTA. This edition will provide a general overview of the CTA, who is required to comply, and the timeline for compliance.

What is the Corporate Transparency Act?

The CTA requires specific business entities, referred to as "reporting companies," to report specific information about the entity, its beneficial owners, and its "company applicants" (the individuals who helped create or register the entity in the US).

- A reporting company itself is responsible for filing the report and for updating or correcting any changes to previously reported information about the reporting company and its beneficial owners.
- These reports will be filed with FinCEN and maintained in a secure, nonpublic database.
- To learn more about what information is required to be reported and who qualifies as a beneficial owner or company applicant, please read our other articles in this series: [The Corporate Transparency Act \(Parts 1-4\)](#).

Which entities must file reports under the CTA?

Any entity that qualifies as a domestic or foreign reporting company must file "beneficial ownership reports" with FinCEN, unless specifically excluded under one of the enumerated exemptions.

- A domestic reporting company is any entity that is a corporation, limited liability company, limited partnership, or other similar entity that is created by the filing of a document with a secretary of state or any similar office under the law of a state.
- A foreign reporting company is any entity that is a corporation, limited liability company, limited partnership, or other similar entity formed under the law of a foreign country and is registered to do business in any state by the filing of a document with a secretary of state or any similar office under the law of a state.

Which entities are exempt from reporting requirements under the CTA?

The CTA specifically exempts 23 categories of companies that would otherwise be required to file beneficial ownership reports. The following list briefly outlines the entities excluded from the definition of "reporting company" in Section 101.380(c)(2) of the CTA. These exemptions are discussed in further detail here: [The Corporate Transparency Act \(Part 2\)](#).

- Securities Reporting Issuers / Public Companies
- Government Authorities
- Banks
- Credit Unions
- Depository Institution Holding Companies
- Money Services Businesses
- Brokers or Dealers in Securities
- Securities Exchanges or Clearing Agencies
- Other Securities Exchange Act of 1934 Registered Entities
- Registered Investment Companies and Investment Advisers
- Venture Capital Fund Advisers
- Insurance Companies
- State-Licensed Insurance Producers
- Commodity Exchange Act Registered Entities
- Public Accounting Firms
- Public Utilities
- Financial Market Utilities
- Pooled Investment Vehicles



Corporate Transparency Act(Part 1): An Overview

Continued

- Tax-Exempt Entities
- Entities assisting a Tax-Exempt Entity
- Large Operating Companies
- Inactive Entities
- Subsidiaries of Certain Exempt Entities

When does the CTA take effect?

The CTA takes effect on January 1, 2024.

- Any reporting company that is created or registered on or after January 1, 2024, must file a report within 30 calendar days of the earlier date on which:
 - It receives actual notice that its creation or registration has become effective; or
 - A secretary of state or similar office first provides public notice that the reporting company has been created or registered.
- Any reporting company that is created or registered before January 1, 2024, must file a report no later than January 1, 2025.
- Reports will not be accepted prior to January 1, 2024.

FinCEN is currently in the process of creating the specific reporting system and additional regulations surrounding the CTA. Therefore, the information discussed in this article is subject to change. For more information on the Corporate Transparency Act and to further understand the extent of your company's reporting obligations, please read our other articles in this series: [The Corporate Transparency Act \(Parts 1-4\)](#). Or contact your Winstead relationship attorney or any of the following Winstead attorneys:

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