

Corporate Transparency Act

What you need to know as a Title Agent



Lavinia S. Biasell, Chief Legal Officer

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What is it?

- The Corporate Transparency Act (CTA)
 - Enacted by U.S. Congress on January 1, 2021 as part of the National Defense Authorization Act
 - Intent is to combat money-laundering, terrorist financing and other financial crimes
 - Enforced by the Financial Crimes Enforcement Network (FinCEN)
 - Creates reporting requirements for entities, domestic and foreign
 - Contains 23 exemptions from filing
 - Reporting Companies must report Beneficial Ownership Information – BOI Reporting on FinCEN website (no fee)
 - Reporting requirements became effective January 1, 2024
 - Existing entities must file by January 1, 2025
 - Entities created in 2024 have to file within 90 days of creation (30 days next year)

Disclaimer: This presentation is not intended to give legal advice. Contact your attorney for guidance.

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Beneficial Owners

- Beneficial Owner
 - Individual (not an entity)
 - Exercises substantial control over the reporting company, *OR*
 - Includes senior officers, board of directors, some managers, some owners, etc.
 - Owns or controls 25% or more of the ownership interest of the reporting company
 - Calculation rules
- A lot of guidance available from FinCEN – website resources (<https://fincen.gov/boi/Reference-material>)
- Identifying Beneficial Owners can get complicated with multi-level entities
 - When in doubt, report

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BOI Reporting

Beneficial Ownership Information

- Full legal name
- Date of birth
- Address
- Valid government ID information (driver's license or passport number)
- Image of the ID

Reporting Company Information

- Legal Name
- DBAs
- Address of principal place of business
- Jurisdiction where formed
- EIN
- Company Applicant (new entities)

- Changes to the BOI Reporting must be reported within 30 days

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Exemptions

- Some entities are exempt from filing requirements (i.e. not a Reporting Company)
 - 23 exemptions, including
 - Banks
 - Credit Unions
 - Governmental bodies
 - Tax-exempt entities
 - Insurance companies
 - State-licensed insurance producers
- Exemption of an entity does not exempt the owner entities (evaluated independently)

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Future of CTA

- On March 1st, U.S. District Court in Alabama found the CTA unconstitutional – exceeds limits on Congress' power
 - Applies only to the plaintiffs in the case – National Small Business Association
 - Case on appeal
- Another case pending U.S. District Court in Michigan – applies to Small Business Association of Michigan
 - Plaintiffs arguing the CTA is an illegal search without a warrant
- Bill pending in the House to make changes to CTA
- Failing to file can lead to penalties - \$500 per day, up to \$10,000/ up to 2 years in prison
- BOI filing vendors exist – ALTA presentation (also, attorneys and accountants)

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Questions?
Call your attorney!

