



# Corporate Transparency Act

*William (Bill) Quick*

# About the Corporate Transparency Act (CTA)

*The CTA is intended to combat the use of “shell” companies in the commission of Illicit activity and corrupt practices, as well as protect national security.*



**MONEY LAUNDERING**



**FINANCIAL AND TAX  
FRAUD**



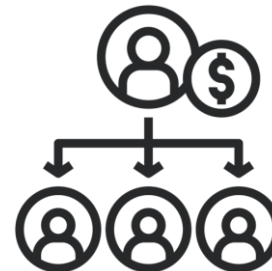
**TERRORIST FINANCING**

The CTA was enacted by Congress on January 1, 2021

# About the CTA Requirement

---

*The CTA requires certain businesses (including privately held and non-profit entities) to **report direct and indirect, human, beneficial ownership, control and service provider information** to the Financial Crimes Enforcement Network of the US Department of Treasury (i.e., FinCEN).*



# How Many Business Entities Are Implicated?

FinCEN estimates that approximately **32 million** “reporting companies” will exist as of January 1, 2024, and that approximately **5 million** new reporting companies will be formed each year thereafter.



What a law firm  
should be.™

# CTA Reporting Exemptions

## Are you one of the following?

- Sole Proprietorship
- Estate Plan Trust
- General Partnership\*

*\*Not to be confused with a limited partnership or the general partner of a limited partnership*

YES

EXEMPT

NO

## Is your business one of these entity types?

- Corporation
- Business Trust
- Cooperative Association
- Limited liability company
- Series of a series LLC
- Decentralized autonomous organization (DAO)
- Limited partnership
- Limited liability partnership
- Limited liability limited partnership

*\*Or a similar entity that is (i) created by the filing of a document with a secretary of state's office, or (ii) a non-US entity registered to do business in the United States by a filing with a secretary of state's office.*

NO

EXEMPT

YES

## Are you in a highly regulated industry or sector?

- SEC Registered Parties
- Utilities
- Financial Institutions
- Insurance Providers
- Commodity Exchanges
- CPA firms registered under Sarbanes-Oxley Act
- Pooled Investment Vehicles
- IRC § 501(c) registered non-profit entities
- Subsidiary wholly owned by certain exempt entities
- Governmental or quasi-governmental entities
- Certain un-capitalized entities without activity or foreign owners

YES

EXEMPT

NO

## Are you in a highly regulated industry or sector?

- Physical U.S. address (Lease or deed)
- Over \$5 Million reported gross receipts or sales from US sources on most recent tax filing
- 21 or more Full Time Employees of the entity (Not 1099 or Full time equivalent)

YES

EXEMPT

NO

You are a "reporting company" under the CTA and need to discuss reporting requirements.

# Who are Beneficial Owners?

---

1. Individuals with substantial control over the reporting company
2. Individuals who own or control at least 25% of the ownership of a reporting company
3. Company applicant

# What is Substantial Control?

---

- A person who has substantial control over a Reporting Company includes senior officers, important decision-makers, and a broad catch-all category of persons with any form of substantial control over a Reporting Company.
- A trustee of a trust may have substantial control over a Reporting Company if they are on the board, the trust owns or controls a majority of the voting power or voting rights of the company, or the trust has rights associated with financing or major decisions.

# What is Personal Identifying Information (PII)?

---

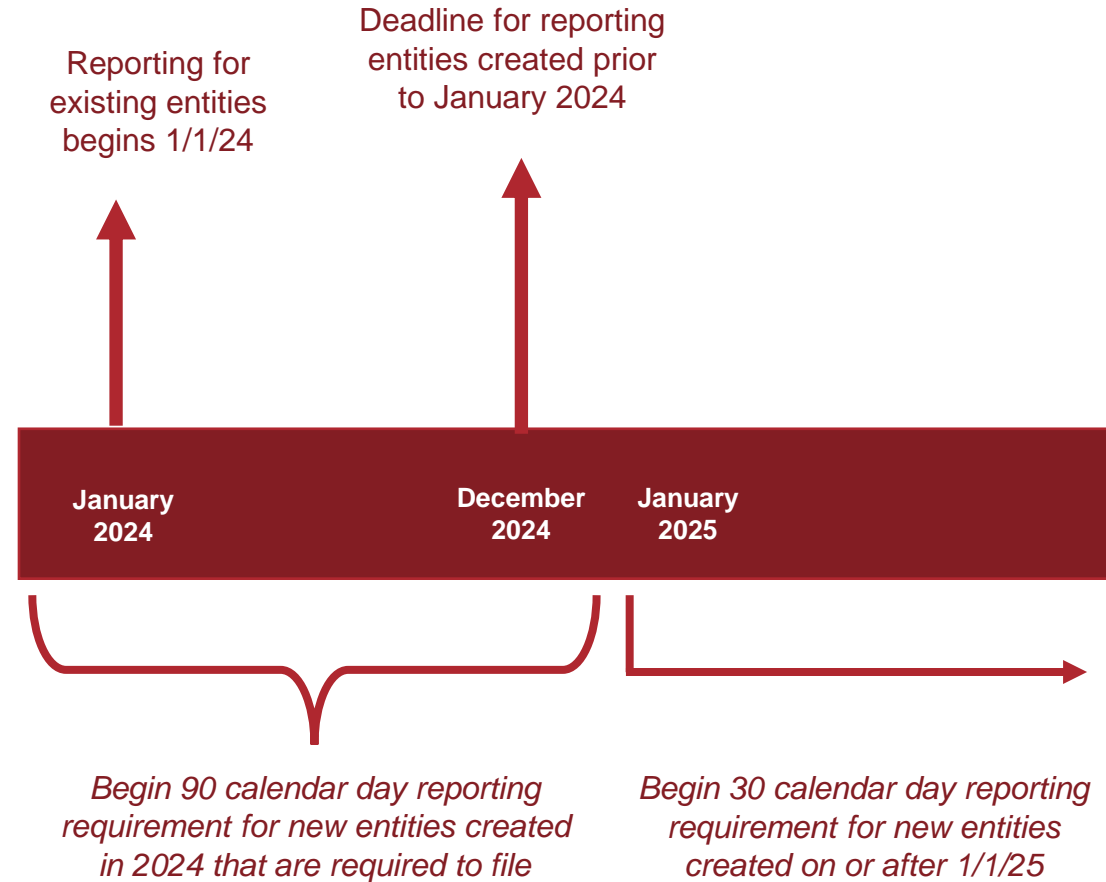
1. Full legal name
2. Date of birth.
3. Current residential street address.
4. Photo ID with a unique identifying number from an acceptable identification document defined in 31 U.S.C. § 5336 (a)(1) (which may be a nonexpired U.S. passport, a nonexpired identification document issued by a state or local government or Indian tribe to the individual for the purpose of identifying that individual, a nonexpired driver's license issued by a state, or if the individual does not have any of the foregoing documents, a nonexpired passport issued by a foreign government).

OR Utilization of a FinCEN ID number

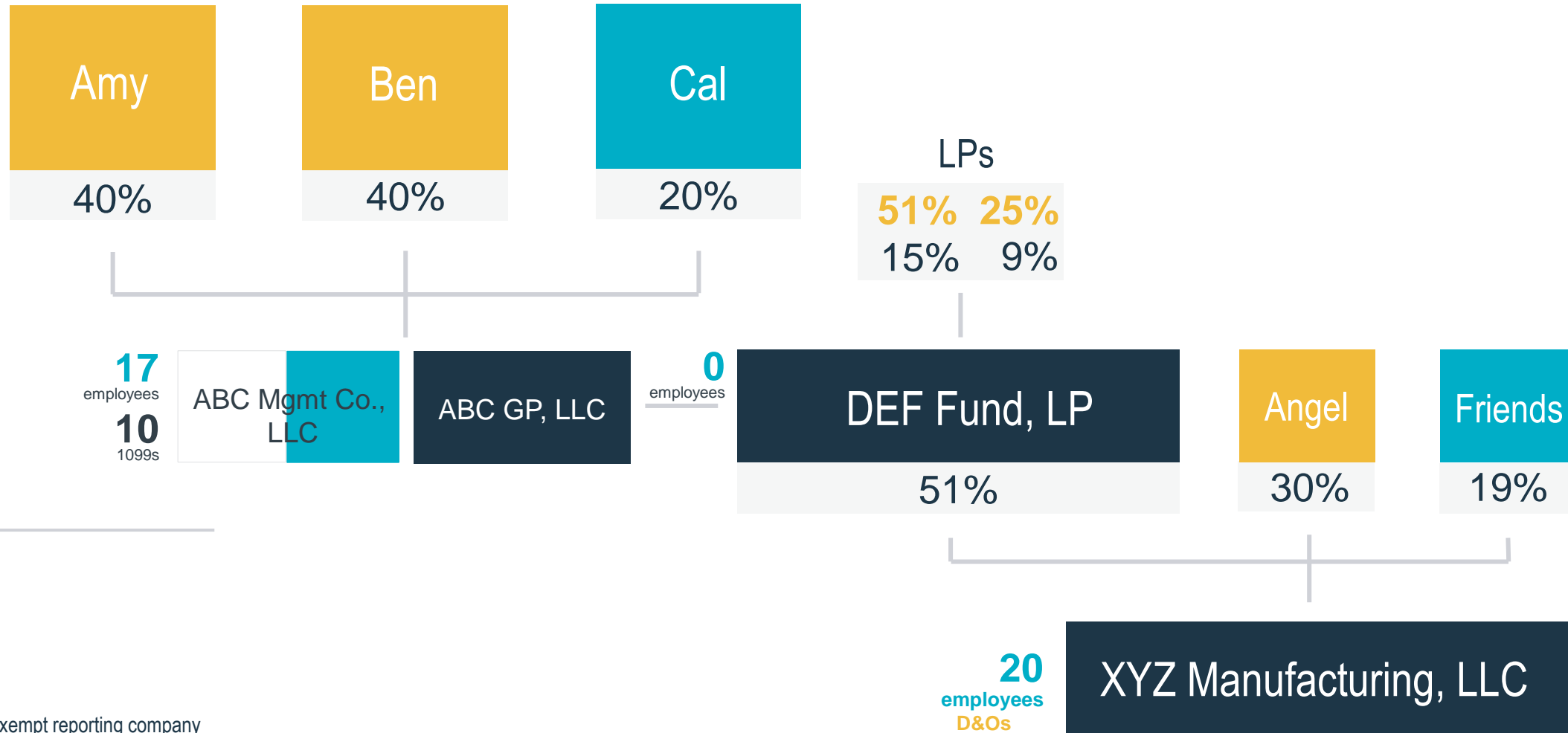


# What is the timing?

- If the reporting company was formed prior to January 1, 2024, they will have until January 1, 2025 to submit their initial BOI report
- If the reporting company is formed during 2024, they will have 90 calendar days to file their initial BOI report
- If the reporting company is formed after January 1, 2025, they will have 30 calendar days to file their initial BOI report



# Hypothetical: Who Needs to Report and What Needs to be Reported?

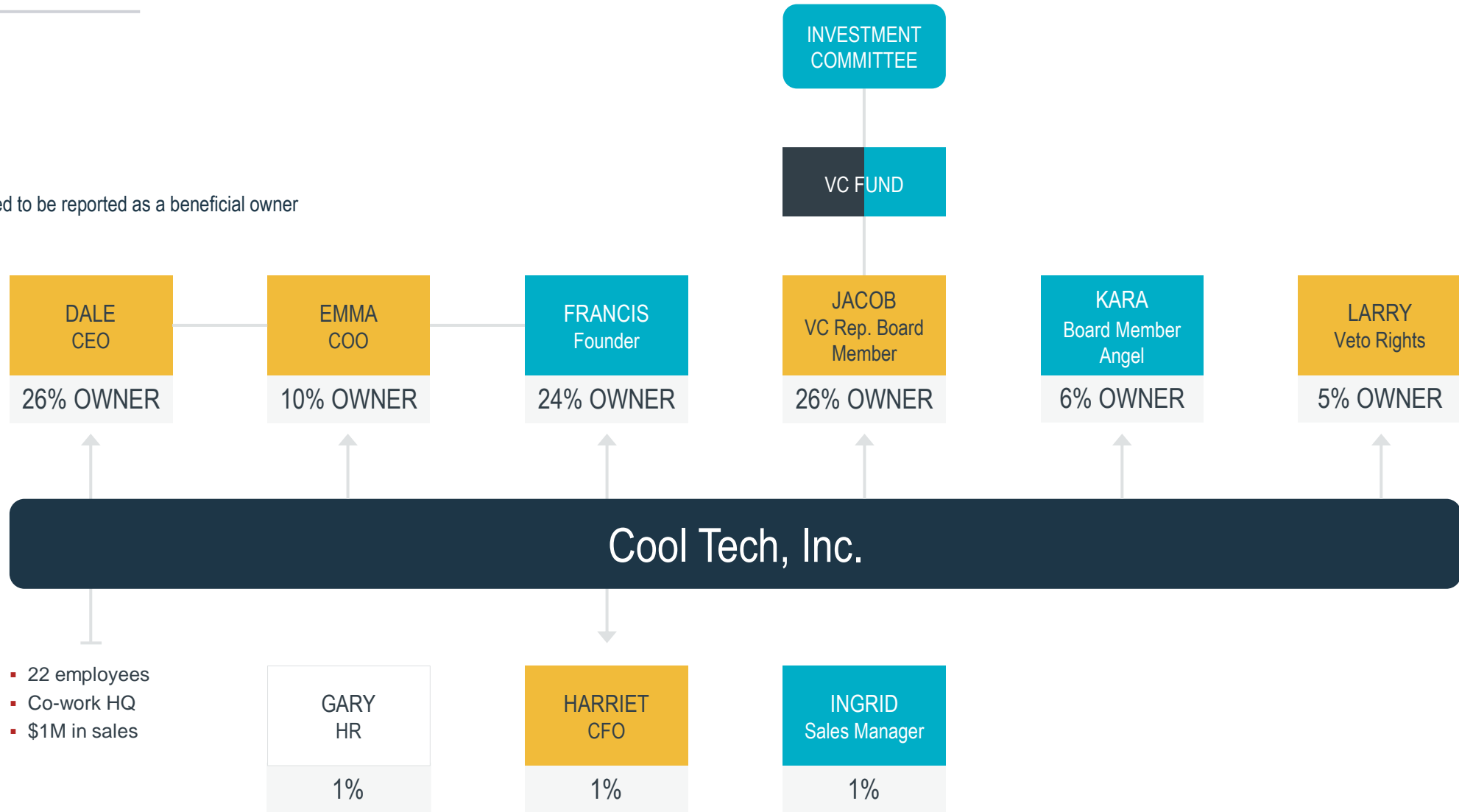


# Corporate Structure I

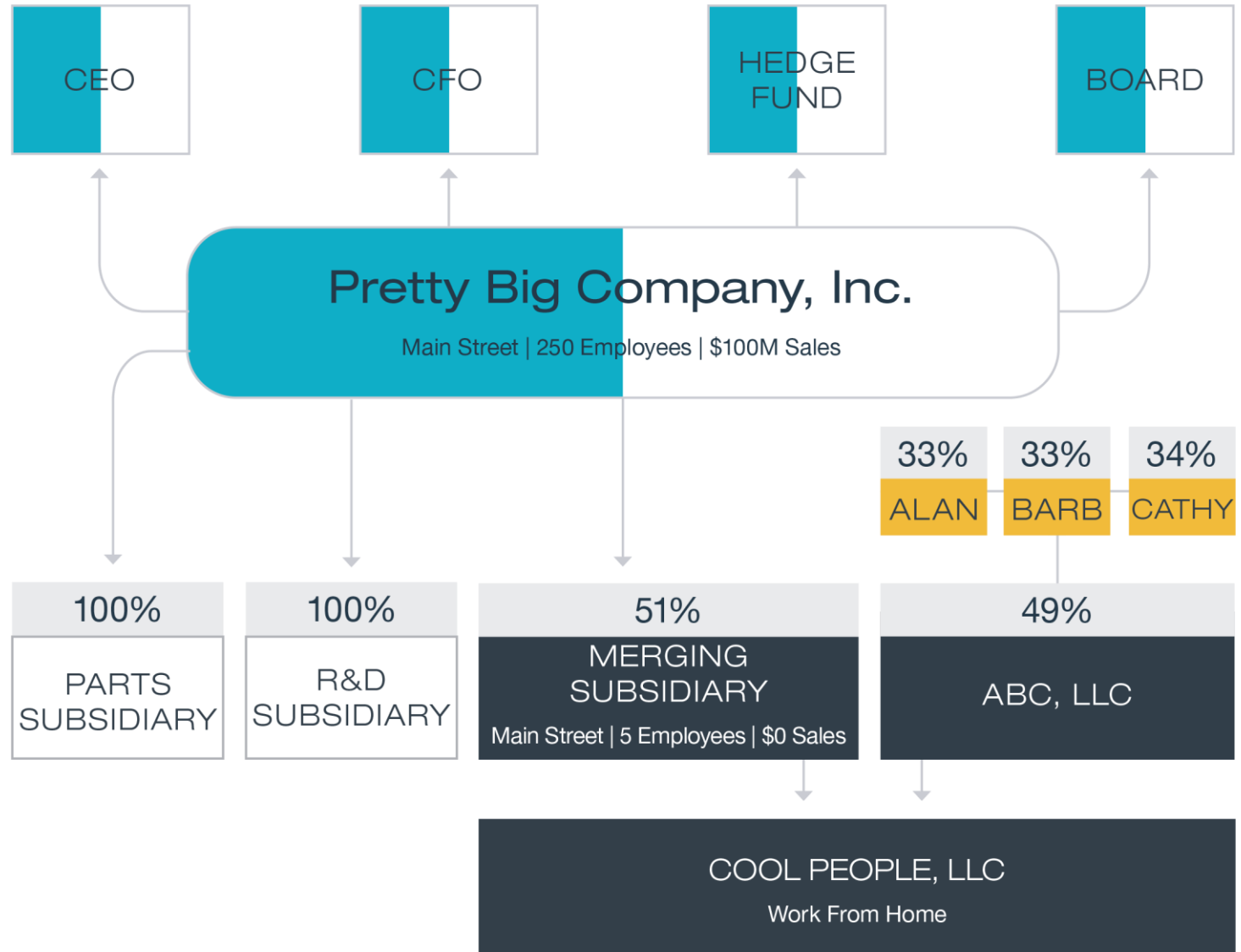
## Key



Not required to be reported as a beneficial owner



# Corporate Structure II



## Key



Exempt reporting company

# Penalties – Am I Going to Jail?

---

- Civil penalties of \$500 each day a violation continues up to \$10,000 per violation
- Criminal penalties include up to 2 years of imprisonment (for willful misconduct or evasion)

# What Can I Do Now? Preparing for 2024

---

- Determine if your existing business entities are reporting companies
- Determine who is in your control group for each entity
- Identify and notify your beneficial owners (direct and indirect) in each entity and gather BOI
- Establish policies, procedures and protocols, and responsible parties, to ensure timely compliance (including for corrections and changes)
- Develop system for tracking and retaining reported information
- Determine when to file in 2024 for pre-2024 entities
- Establish protocol and deadlines for new entities formations steps
- Keep apprised of new CTA developments

# Thank You

---

- **Bill Quick**
- Corporate Transparency Act Chair – Shareholder
- [WQuick@polsinelli.com](mailto:WQuick@polsinelli.com)





Polsinelli PC provides this material for informational purposes only. The material provided herein is general and is not intended to be legal advice. Nothing herein should be relied upon or used without consulting a lawyer to consider your specific circumstances, possible changes to applicable laws, rules and regulations and other legal issues. Receipt of this material does not establish an attorney-client relationship.

Polsinelli is very proud of the results we obtain for our clients, but you should know that past results do not guarantee future results; that every case is different and must be judged on its own merits; and that the choice of a lawyer is an important decision and should not be based solely upon advertisements.

© 2023 Polsinelli® is a registered trademark of Polsinelli PC. Polsinelli LLP in California. Polsinelli PC (Inc.) in Florida.

[polsinelli.com](https://polsinelli.com)