



Deadline Approaching to File Beneficial Ownership Information Reports

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In our April 2023 [Client Alert](#), we detailed the broad applicability of the Corporate Transparency Act (CTA), a federal law enacted to require all non-exempt companies to disclose beneficial ownership information to the Financial Crimes Enforcement Network (FinCEN) of the United States Treasury. The CTA aims to combat money laundering, terrorist financing, and other illicit financial activities by facilitating greater transparency regarding the individuals who ultimately own or control companies operating in the United States and will require the vast majority of domestic business entities to report information about their beneficial owners to FinCEN. The requirement for newly formed companies to report under the CTA became effective on January 1, 2024.

WHAT ENTITIES MUST FILE?

Companies required to report are called **reporting companies**. There are two types of reporting companies:

- **Domestic reporting companies** are corporations, limited liability companies, and any other entities created by the filing of a document with a secretary of state or any similar office in the United States.
- **Foreign reporting companies** are entities (including corporations and limited liability companies) formed under the law of a foreign country that have registered to do business in the United States by the filing of a document with a secretary of state or any similar office.

DEADLINES TO FILE A BENEFICIAL OWNERSHIP INFORMATION REPORT

For entities formed before January 1, 2024, the initial report must be filed on or before January 1, 2025.

For entities first formed or registered on or after January 1, 2024 and before January 1, 2025, the initial report must be filed within 90 days after formation or registration.

For entities first formed or registered on or after January 1, 2025, the initial report must be filed within 30 days after formation or registration.

Corrections to the information reported must be made within 30 days of when the company becomes aware or had reason to know of the inaccuracy. If certain information about the reporting company or its beneficial owners changes, an updated report must be filed within 30 days of the change. Continuous monitoring of the beneficial interest information will be required to ensure compliance.

EXEMPTIONS

Twenty-three categories of entities are exempt from the beneficial ownership information reporting requirements. These entities include publicly traded companies meeting specified requirements, many nonprofits, certain large operating companies, and companies engaged in certain regulated activities.

This law is broad in scope but has many exemptions. In multi-entity structures, one or more companies may be exempt from reporting while others are not, so each entity should be analyzed separately. Further, an entity may be exempt under some criteria, which, if it changes, means the entity is no longer exempt and is required to file a report within 30 days of such change. In particular, some entities may be exempt under the “large operating entity” exception during parts of the year or in only some years. For such entities, continuous analysis will be required.

This supplemental Client Alert is not a comprehensive analysis of the requirements or guidance on how to comply. Because the law is broad and carries potential criminal penalties for non-compliance, we encourage every client to become familiar with the general scope of the law and then consult a knowledgeable attorney for further analysis as needed.

NON-COMPLIANCE MAY RESULT IN PENALTIES

Any person who willfully fails to file a required beneficial ownership information report (including corrections or updates) or willfully files false information is subject to a civil penalty of up to \$500, adjusted annually for inflation, per day that the violation continues and may be fined not more than \$10,000, imprisoned for not more than two years, or both.

ACCESS TO FILED REPORTS

The beneficial ownership information reported on the FinCEN platform is not intended to be available to the public. The security features are designed to allow only federal, state, and local officials access to beneficial ownership information for authorized activities related to national security, intelligence, and law enforcement.

NEXT STEPS: ANALYSIS AND PLANNING

The analysis of whether a company is exempt and who must be reported by a non-exempt entity as a “beneficial owner” is complex and, in some cases, subjective. If a report must be filed, it will include details, including photo identification, for each beneficial owner. It may take time to obtain all the information to comply with the reporting requirements. We recommend that every client conduct at least a preliminary analysis and then consult legal counsel about the details and be cognizant of the reporting deadlines, if required.

Additional Information

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