

Corporate Transparency Act Update

December 22, 2023

Take-Away: There is a push to delay some of the reporting deadlines that are contained in the Corporate Transparency Act.

Background: We know that the Corporate Transparency Act (CTA) starts its reporting requirements starting on January 1, 2024. New entities that are created after that date, e.g., corporations, LLCs, limited partnerships, will have to *register* with the Financial Crimes Enforcement Network (FinCEN) and start filing *beneficial ownership interest* (BOI) reports with FinCEN. The statute initially provided that new *reporting entities* would have to register and file BOI reports with FinCEN within 30 days of their formation. A couple of months ago FinCEN published its Final Regulations that delayed that initial 30-day filing deadline up to 90 days from the *reporting entity's* formation. This was the start of good news for those charged with filing *reporting entity* and BOI reports on behalf of those *reporting entities* with FinCEN, all of whom are mindful of the \$500 a day penalty for the failure to file with FinCEN.

HB 5119: A second bit of good news comes with House Bill 5119 which was passed by the House of Representatives on a 420-1 vote (bipartisanship is alive and well in the nation's capital, apparently on some things when it comes to money.) That now-passed House Bill, which still needs to get approval by the U.S. Senate and signed by the President, contains some other helpful changes, and one possible problem.

1. The House Bill gives pre-2024 *reporting entities* until December 31, 2025 (not December 31, 2024) in which to register with FinCEN.
2. The House Bill ratifies FinCEN's Final Regulation that new, post-2023 *reporting entities* have 90 days, not 30 days, from their formation in which to register with FinCEN and file BOI reports.

3. The House Bill extends the FinCEN deadline in which to report updates and changes to BOI previously filed with FinCEN from 30 days to 90 days.
4. The House Bill adds a provision that denies authority to FinCEN to grant some type of 'relief' to *reporting entities*. This language used in the House Bill is not easily followed. Essentially, if this is an accurate interpretation of what the House of Representatives intends, is that *reporting entities* are not allowed to submit to FinCEN a report that describes how the *reporting entity* is/was unable to obtain identifying information, i.e., driver's licenses; passports, instead of filing BOI reports in accordance with the FinCEN statute and its reporting obligations and deadlines. This is sort of a 'there will be no excuse for not obtaining the required information' that FinCEN can use giving a *reporting entity* a 'pass' on its reporting obligations.

Conclusion: We now await the Senate to return from its Christmas break to see if it enacts this House Bill.