

The Corporate Transparency Act (“CTA”), which was effective January 1, 2024, impacts almost all closely held corporations, limited liability companies (LLCs) including single-member LLC, limited partnerships, and other closely held entities, as well as the legal and beneficial owners of such entities such as trusts and estates. This is the case even if such entities only hold real estate and conduct no active business. The CTA requires reporting about all such entities and all such owners to the **Financial Crimes Enforcement Network (“FinCEN”)**, a bureau of the US Treasury Department, separate from the IRS. The final rules and forms for mandatory reporting are continuing to evolve. Currently:

- Entities created before January 1, 2024 will have until January 1, 2025 to report.
- New entities created on or after January 1, 2024 and before January 1, 2025 will have only 90 days to report following creation.
- New entities created on or after January 1, 2025 will have 30 days to report.
- Personal identifying information on legal and beneficiary owners will have to be included in such reports (Social Security and/or taxpayer identification numbers, legal addresses, dates of birth, uploaded images of driver’s license, etc.)
- There will be stiff civil and criminal penalties, including prison time, for failure to report.
- The deadline for correcting or updating a previously filed report will be very short and civil and criminal penalties will apply.
- We expect that bad actors will send fake communications purporting to help with the mandatory reporting, but actually designed to lure unsuspecting business owners to disclose personal information.

NOTE: The U.S. District Court for the Northern District of Alabama recently ruled that the Corporate Transparency Act (“CTA”) was unconstitutional “because it exceeds the Constitution's limits of Congressional power.” This decision is applicable only to the plaintiffs in that case and will most certainly be appealed. In light of the uncertainty surrounding the validity of the CTA, we recommend that any companies, formed **after** January 1, 2024, comply

with filing the beneficial ownership information (“BOI”) report with FinCEN within ninety (90) days from date of formation. All other companies, created **prior** to January 1, 2024 and which are not exempt from the CTA, may file now or wait until later this year to file the BOI report. All such BOI reports must be filed by December 31, 2024 if ambiguity remains as to whether the CTA is constitutional. Reference materials can be found at <https://www.fincen.gov/boi/Reference-materials>

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