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APRIL 2024 MEMORANDUM

JUDICIAL UPDATE

BENEFICIAL OWNERSHIP INFORMATION REPORTING CORPORATE TRANSPARENCY ACT

SUMMARY

On March 1, 2024 and Alabama federal court found the Corporate Transparency Act (31 USC 5336(b)) (“CTA”) unconstitutional. The news created loads of discussion and confusion in the business community and their supporting services. Business owners wonder if they were off the hook with compliance. Service providers were concerned that their investment of compliance offerings and technology was for naught.

The short answer is that the CTA is alive and kicking—at least for now. The vast majority of business owners who are subject to the CTA are still on the hook.

FIRST—The ruling only applies to business that were members of the National Small Business Association, as of March 1, 2024. NSBA filed the lawsuit in November of 2022 to challenge the CTA on behalf of its members. If you/your business are not already a member, the ruling does not apply.

SECOND—The Department of Justice (“DOJ”) has already filed an appeal of the ruling.

THIRD—While the DOJ appeal is pending the CTA is still in effect for the vast majority of businesses that are subject to its reporting requirements.

If you have yet to comply with the CTA, check out the specifics below...

THE RUNDOWN

Authority	United States Department of the Treasury
	Corporate Transparency Act (31 USC 5336(b))
	Financial Crimes Enforcement Network (FinCEN) Rule



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Deadline	January 1, 2024-January 1, 2025 for entities formed before January 1, 2024 Within 30 days of formation for entities formed on or after January 1, 2024
Who Must Comply	Any entity that had to file a formation document with a state authority as part of its formation or registration as a foreign entity doing business in the United States. YES --Corporations (C, S, B ¹ and P ²), Limited Liability Companies, Limited Partnerships, Limited Liability Partnerships ³ . NO —Sole Proprietors, General Partnerships.
Exemptions	23 Categories of Exemptions and Exceptions to the rule, including inactive entities, nonprofits, entities that are already subject to federal reporting and regulations, financial institutions, and government entities.
Corporate Information	Legal Name Trade Names or D/B/A Names Address Formation State TIN/EIN
Ownership Information	Beneficial Owners. Owners with at least 25% ownership or who have substantial control the company directly or indirectly. Legal Name DOB Home Address Driver's License, State ID, or Passport Number Picture of said ID

¹ Beneficial Corporation

² Professional Corporation

³ May depend on the state formation requirements for LPs and LLPs



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Duty to Update Within 30 days of any change or need to correct information.

Failure to Comply Civil liability \$500/day
Criminal penalty up to \$10,000 and/or 2 years in jail

THE SOLUTION

Resources FinCEN

<https://www.fincen.gov/>

Small Business Guide

https://www.fincen.gov/sites/default/files/shared/BOI_Small_Compliance_Guide.v1.1-FINAL.pdf

Legal Support Book a Consultation for us to assist you in determining whether your company needs to comply and provide guidance on the process.

www.stulawgroup.com/legal-consultations/

Have SLG handle your reporting for you for a flat rate of \$450 (bulk rate available for multiple entities), this includes any updated reporting for the calendar year (up to 3 updates)

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