

# PLATINUM FILINGS.

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## The Corporate Transparency Act – and the Corporate Burden it Creates

In 2020, the United States government passed an updated version of its long-standing Anti-Money Laundering Act, modernizing how federal agencies could combat money laundering and other financial crimes. As part of the resulting policy updates, Congress enacted the Corporate Transparency Act (CTA) on a bipartisan vote in early 2021. The law went into effect on January 1, 2024.

The CTA requires millions of small businesses to report beneficial owner information (BOI) – identifying information about individuals who directly or indirectly own or control a company – to the U.S. Treasury Department’s Financial Crimes Enforcement Network (FinCEN). With this robust network of ownership data, the government will have an easier time finding and exposing those who may attempt to hide or benefit from their money laundering or other financial crimes through shell companies or other opaque ownership structures.



(image credit: Siegfried Rivera)

### Who Needs to Report Beneficial Ownership Information?

There are two categories of companies that need to report beneficial owner information to FinCEN:

1. Domestic Reporting Companies – A corporation, limited liability company or any other entity created by the filing of a document with a secretary of state or similar office.

2. Foreign Reporting Companies – A corporation, LLC or other entity formed under the law of a foreign country that is registered to do business in the U.S. by the filing of a document with a secretary of state or similar office.

Companies that don't need to report to FinCEN include:

- Non-Reporting Companies – Entities that are not created by filing with a secretary of state, like sole proprietorships or certain trusts.
- Exempt Companies – FinCEN has a list of 23 types of companies that are exempt from filing a report. These include banks, credit unions, tax-exempt entities, public utilities, certain large companies, etc.

A common example of a company that doesn't need to report would be one with 20 or more full-time employees, a physical office in the United States and a federal tax return showing \$5 million or more in U.S. gross revenue. Still, in cases like this, subsidiaries of those companies may have to file. Some inactive entities also may be exempt. For more details on possible exceptions, or anything else pertaining to beneficial ownership information, contact Platinum Filings.

### **What Exact Information Do Companies Need to Submit?**

There are three main categories of information that must be included in a report:

1. Reporting Company / Entity Information – full legal name, all trade or DBA names, U.S. address, state of formation and IRS taxpayer identification number or employer identification number.
2. Beneficial Owner Information – A company's report must include either:
  - a. The full legal name, date of birth, residential address and a unique identifying number on a current form of ID (passport, driver's license, etc.) for any/all beneficial owners; or
  - b. Those individuals' FinCEN Identifier (a personalized ID number), if they have one

A beneficial owner is anyone who exercises "substantial control" over the company or owns/controls at least 25 percent of its ownership interests. Individuals are deemed to have substantial control if they are any of the following with relation to the reporting company: a senior officer; someone with authority to appoint or remove senior officers or a majority of directors; an important corporate decision-maker; and/or someone with any other form of substantial control identified by FinCEN's [Small Entity Compliance Guide](#). There are no limits to the number of people who can be a beneficial owner.

3. Company Applicant Information – For entities created after Jan. 1, 2024, a company's filing must include either information or a FinCEN Identifier relating to the individual(s) who filed the paperwork establishing the company (the direct filer), or who directed or controlled the filing

action (an attorney, paralegal or third-party service company). A reporting company must list a minimum of one or a maximum of two company applicants.

For more information on beneficial owners, how substantial control is defined, who company applicants are, exceptions/clarifications on any of these or any other details, contact Platinum Filings.

### **When are Reports Due, and What are the Penalties for Noncompliance?**

Initial reports from all reporting companies formed before the end of 2023 must be filed by January 1, 2025. Companies that are formed during 2024 have 90 days to file those initial reports, and companies created in 2025 or later will have 30 days to file.

Beneficial owners of any entity that fails to report by the deadline could face civil penalties of up to \$591 per day per entity that the violation continues and criminal penalties of up to \$10,000 and/or two years in prison.

Whenever there are changes to any of the above information, the reporting company must file an updated report within 30 days. This also applies to newly exempt companies; they need to file an updated report saying so. Also, if a reporting company discovers that any of the information it submitted is inaccurate, it must file a corrected report within 30 days.

### **The Corporate Burden of CTA Compliance**

Now that CTA is on the books, it has placed some added burdens on entities and their leaders around the country.

It all starts with awareness. If you're reading this, you're off to a good start. But there are entities everywhere that may not have the systems in place and/or the proper advisors to flag this for them. As a result, they may not hear about CTA or their responsibilities under the law until it's too late.



It's also common that a company and/or its advisors don't fully understand CTA (especially who all of their beneficial owners are) or take it seriously enough. There are many nuances and specifics within the law that people need to be aware of and study carefully – or they run the risk of incurring penalties.

Second, there's the time and effort it takes to file proper reports. Compare and contrast the following scenarios:

- A financial services limited liability company has \$1 million in annual revenue, four employees and a single owner. This entity would be required to file a report. But with all of the proper documents at the ready and a reliable Internet connection, the business owner could [go to the FinCEN website](#) and complete the form in under one hour or they could delegate it to their legal counsel or another trusted advisor for a minimal fee.
- A team of three real estate investors have amassed a portfolio of hundreds of properties across several states. Their standard business practice is that each property they own/manage is its own business entity, so they technically and collectively are beneficial owners for hundreds of small businesses that each qualify as reporting companies. These investors, and any senior officers of real estate management companies (even if they are unaffiliated or without ownership interest) may be relevant and applicable to these reporting companies' filings under the CTA.

In the first situation, the filing process would be relatively simple. In the second, one round of filings could get incredibly complex and could take weeks or months to complete. The senior officers and/or their outside counsel would be responsible for hundreds of filings with several variables and dozens of permutations. Collecting and inputting all the right information in the correct manner, and managing/storing it properly, would be a massive project.

Finally, there's the ongoing management of an entity's BOI data and related reports. There are many possibilities for the kinds of big and small changes that could trigger the need to file an updated or corrected report: a residential move, a sale/merger/acquisition/dissolution, someone changing their

name, a new assumed name for the business in any state it might operate in, a new passport for a beneficial owner, executive management turnover, etc. In any of these cases, the correct information needs to be captured and stored – and a whole new report with all relevant detail needs to be filed for each entity that those beneficial owners touch. It's not possible to change just one piece of information.

Of course, the more beneficial owners, company applicants, people with substantial control, etc. that an entity has, the more complex this management process will be and the more often information will change that will force the entity to file updates and corrections. In the second situation above, even a couple of relatively minor changes could trigger a weeks or months-long refiling and data continuity process. Ongoing compliance will be a much bigger issue for reporting companies than the initial filing process.

All of this time and effort adds up real fast. In some organizations, it could easily get to the point where it could require an employee's or an entire team's full-time attention just on filings, updates, corrections and data management. However, it's not just the cost of the salary/benefits/ongoing education of those people that entities have to consider – it's the fact that discrepancies and errors will still inevitably occur, because people are human and make mistakes. Despite an entity's best efforts and significant expense, it could still incur trouble and penalties.

### **How Platinum Filings Simplifies CTA Compliance**

For years, Platinum Filings has provided due diligence, corporate and compliance-based services to legal professionals around the world. It's known as a true innovator – an organization that makes the impossible possible and helps businesses make the right decisions with confidence. Platinum Filings also has the specialized expertise to help businesses adapt to the latest legal and regulatory changes, including the CTA.

With all of this at its fingertips, Platinum Filings built an easy-to-use, software-as-a-service (SaaS) platform to help entities file their CTA reports. The system:

- Features intuitive navigation and an easy-to-use interface.
- Collects and collates beneficial owner and company applicant information for as many people as you need through emailed links.
- Stores all that data for reuse on subsequent filings, updates or corrections.
- Changes beneficial owners and their information on any/all relevant filings (up to thousands of them), and then re-files reports, with just a few clicks.
- Transfers entity or BOI data throughout different parts of the platform seamlessly, with one-click.
- Uploads, sends and houses required documents.
- Enables entity, beneficial owner and company applicant data to be uploaded and properly associated/grouped in bulk.
- Makes bulk edits to entities with one click.
- Tracks every action and every change to a record internally and externally, so that status reports can be created and specific actions can be isolated and followed up on if needed.

- Alerts users to events that could trigger the need for updated reports.

Platinum Filings' platform lives at the intersection of speed and precision. It will deliver real results, real fast:

- Submit an initial, updated or corrected report for thousands of entities in minutes instead of hours, days, weeks or months. For companies with hundreds or even thousands of reports to submit, the capital and operational expense savings could be immense.
- Minimize human error involved with entering data and submitting reports manually.
- Monitor and keep users apprised of changes as CTA and other FinCEN regulations evolve.
- Simultaneously submit reports to states that also have a CTA law (e.g. New York).

While the Corporate Transparency Act will help the government fight crime, it also has created mandatory work for millions of businesses around the country. These organizations will be looking to fully comply with CTA while spending as little time and effort to do so as possible. As a result, they should look to invest in tools that automate and standardize CTA processes, minimizing the amount of manual work involved.

Platinum Filings stands ready and willing to help, with the best CTA platform in the legal industry. Allow us to help, and spend your valuable time and resources on the business-critical initiatives you do best.

*To contact Platinum Filings with questions, or to receive a demo of their CTA platform, call 718-705-9886, email [CTA@platinumfilings.com](mailto:CTA@platinumfilings.com) or visit <https://platinumfilings.com/contact/>.*