



TRAPHAGEN  
CPAs & WEALTH ADVISORS



## Corporate Transparency Act (CTA)

**This is a Special Alert** to make you aware of the Corporate Transparency Act (CTA) and its requirements. We feel that it is important that you are aware of the CTA since the effective date of this recent act is **January 1, 2024**.

### What Is the CTA?

Congress enacted the CTA in 2021 to provide information about certain entities, their owners, management, and individuals to fight money laundering, tax fraud, and other illegal activities.

The CTA requires reporting companies to provide specific information about the entity, beneficial owners, and company applicants to the US Department of the Treasury's Financial Crimes Enforcement Network (FinCEN).

### Who Needs to File?

Under the CTA, reporting companies are identified as either domestic or foreign:

- Domestic reporting companies represent corporations (including S Corporations), LLCs, or similar entities that were created by the filing of a document with a secretary of state or any similar office under the law of a state.
- Foreign reporting companies are corporations, LLCs, or other similar entities formed under the law of a foreign country that are registered to do business in any state by the filing of a document with a secretary of state or any similar office.

Twenty-three categories of companies are exempt from filing beneficial ownership reports under the CTA as they are heavily regulated under other prior existing laws. Among others, these entities include securities issuers, domestic governmental authorities, banks, insurance companies, public utilities, and public accounting firms.

Another exception of particular interest to you may be the exemption for **"large operating companies."** A large operating company is any entity with **(a)** more than 20 full-time US employees, **(b)** an operating presence at a physical office within the US, and **(c)** more than \$5,000,000 of US-sourced gross receipts reported on its prior year federal income tax return. If you meet these qualifications, you are not subject to the new reporting requirements.

### Reporting Requirements

Reporting companies must report to FinCEN certain information on the company such as legal name, trade names, jurisdiction of formation, and identification numbers.

Furthermore, specific information on each beneficial owner and company applicant of the reporting company must be provided.

### Effective Date

The CTA is effective on January 1, 2024. Reporting companies existing **prior to 2024** must file their initial reports within **one year** of the effective date. Reporting companies created or registered **in 2024** must file a report within 90 days after receiving notice of their creation or registration. Reporting companies created or registered **on or after January 1, 2025**, must file a report within 30 days after receiving notice of their creation or registration.

### Violations and Penalties

Noncompliance with the CTA's reporting requirements can result in significant penalties and the possibility of imprisonment. Fines range from \$500 per day up to \$10,000 and imprisonment of up to two years.

FinCEN also has a Small Entity Compliance Guide and frequently asked questions to help guide businesses through the reporting requirements. These are available at <https://www.fincen.gov/boi/small->

business-resources.

If you have any questions or would like to discuss whether your company has a reporting obligation under the CTA, please contact our Tax Director, Darren Thomas at 201-262-1040 or [darren@tfgllc.com](mailto:darren@tfgllc.com).

**NEW: Our Tax Tips and Tax Newsletters are now available on our website- Click Below for Updates!**

[WEEKLY TAX TIPS](#)

[TAX BUSINESS NEWSLETTER](#)

[MONTHLY CLIENT UPDATE](#)

Traphagen CPAs & Wealth Advisors

SUCCESS  
VISION | CARE | TRUST

201-262-1040  
[www.tfgllc.com](http://www.tfgllc.com)



Traphagen CPAs & Wealth Advisors | 234 Kinderkamack Road, Oradell, NJ 07649

[Unsubscribe marissa@tfgllc.com](mailto:marissa@tfgllc.com)

[Update Profile](#) | [Constant Contact Data Notice](#)

Sent by [carolynn@tfgllc.com](mailto:carolynn@tfgllc.com) powered by



Try email marketing for free today!