

The Corporate Transparency Act and Beneficial Owner Information Reporting

Breaking News: Corporate Transparency Act On Hold Again: In early December 2024, a lower federal court ruled the CTA unconstitutional and issued a preliminary injunction enjoining enforcement of the Beneficial Owner Information (BOI) reporting requirements. On December 23, 2024, the 5th Circuit Court of Appeals lifted the preliminary injunction. Following the ruling the Financial Crimes Enforcement Network (FinCEN) reinstated the BOI reporting requirements with extensions. On December 26, 2024, the 5th Circuit Court of Appeals issued a new order reinstating the preliminary injunction while it considers the substantive arguments on appeal. This page will be updated with new developments as they become available.

What does this law require? It requires small corporations and entities such as LLCs to file a report to the US Department of Treasury's Financial Crimes Enforcement Network (FinCEN) with information about the beneficial owners behind the entity. The purpose of the law is to stop money laundering.

When does the reporting requirement commence? Entities existing before January 1, 2024, must report no later than January 1, 2025. New entities created on or after January 1, 2024, must report within 30 days of creation.

Do agents and brokers need to know this? Yes. Any brokerage set up as a corporation that does not meet the minimum threshold as a large business (explained below) will have to report. That will even include those agent-owned corporations set up just for tax purposes.

What exemption would a brokerage most likely qualify for? There are 23 separate exemptions, none of which specifically apply to real estate brokers. But the "large operating company" exemption could exempt extremely large brokerages. A large operating company is exempt from filing a BOI report if it meets the following three criteria: (1) employs more than 20 full-time employees in the US (2) has an operating presence at a physical office within the United States, and (3) has filed a federal income tax or information return in the US for the previous year demonstrating more than \$5 million in gross receipts or sales.

What information must be reported? Information is required regarding both the corporation and the beneficial owners of the corporation.

For the corporation, the BOI report must state the company's (1) full legal name, (2) any trade or "doing business as" names, (3) the complete current street address of the principal place of business, (4) jurisdiction of formation, and (5) taxpayer identification number.

For each beneficial owner, the BOI report must state their (1) full legal name, (2) date of birth, (3) complete current residential street address, (4) unique identifying number and the issuing jurisdiction from either a current (i) U.S. passport, (ii) state or local ID document, (iii) driver's license, or (iv) if the individual has none of those, a foreign passport, and (5) an image of the document from which the unique identifying number was obtained.

Who qualifies as a "beneficial owner?" A beneficial owner is an individual who, directly or indirectly, either exercises substantial control over the reporting company or owners or controls at least 25 percent of its ownership interests.

Where can I get more information? FinCEN has created an FAQ at the following link "[Beneficial Ownership Information Reporting Frequently Asked Questions](#)."