FinCEN Releases Useful Guidance on Corporate Transparency Act Requirements for Small Businesses

Client Alert

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What You Need to Know

- The U.S. Treasury Department's FinCEN has released a Small Entity Compliance Guide to assist small businesses in complying with reporting requirements pursuant to the Corporate Transparency Act.
- The user-friendly guide is comprehensive and should make the CTA's beneficial ownership reporting requirement more manageable for small business owners.
- Small business owners should familiarize themselves with their potential compliance obligations, which will become effective in January 2024.

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The U.S. Treasury Department's Financial Crimes Enforcement Network (FinCEN) has released its Small Entity Compliance Guide in preparation for beneficial ownership information reporting pursuant to the Corporate Transparency Act (CTA). As we advised in a previous Client Alert, the new reporting requirements will become effective in January 2024. The 56-page guide is intended to provide "plain language" guidance on what small businesses may be required to report, as well as under what circumstances exemptions apply. It identifies and answers the following six key questions a small business might ask related to beneficial ownership information reporting:

1. Does my company have to report its beneficial owners?
2. Who is a beneficial owner of my company?
3. Does my company have to report its company applicants?

4. What specific information does my company need to report?
5. When and how should my company file its initial report?
6. What if there are changes to or inaccuracies in reported information?

The response to each question is broken out in a user-friendly format that often contains charts and models to demonstrate how to apply the response to a particular business entity. Additionally, each exemption to the reporting requirement is broken down into "yes" or "no" questions so it is easier to ascertain whether any of the 23 listed exemptions apply.

The Small Entity Compliance Guide is a critical tool for businesses which believe they *may* fall into an exemption category but are uncertain as to the evaluating criteria for the exemption. The Guide also explains the difference between "beneficial owner" and "company applicant," when a company applicant must be reported, how FinCEN identifiers function, and when reported information must be updated to avoid penalties. Overall, the guide is comprehensive and should make the beneficial ownership reporting requirement more manageable for small business owners.

As the January 2024 compliance date approaches, please contact the author of this Alert with any questions you may have related to your company's beneficial ownership, reporting requirements or possible eligibility for exemptions.

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