#### HAYNES BOONE

CORPORATE TRANSPARENCY ACT

Part 1: The Law

Lauren A. White

July 11, 2024



1

### What is the CTA?

- The Corporate Transparency Act (the "CTA")
- Enacted as part of the Anti-Money Laundering Act of 2020
- Implemented by the Financial Crimes and Enforcement Network ("FinCEN")
- Establishes reporting obligations that will require <u>reporting</u> <u>companies</u> to file a report with FinCEN identifying <u>beneficial</u> <u>owners</u> and <u>company applicants</u>
- Designed to primarily apply to smaller, private entities, not large or otherwise highly regulated companies

**HAYNES BOONE** 

# What Has Happened Since January 1, 2024?

- FinCEN launched its BOI E-Filing System on January 1st
- Reports can be filed, and individuals can obtain FinCEN Identifiers, on FinCEN's website (https://www.fincen.gov/boi)
- BOI Access and Safeguards final regulations went into effect on February 20<sup>th</sup>
- FinCEN has continued to update its FAQs
- As of May 6<sup>th</sup>, over 1.7 million entities had filed BOI reports (with 32.6 million reports expected to be filed in 2024)

**HAYNES BOONE** 

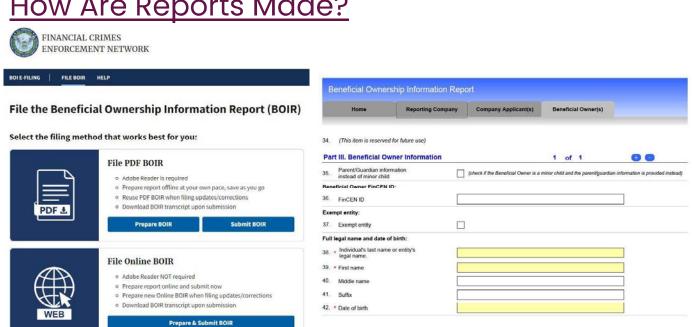
3

### Is the CTA Constitutional?

- On March 1<sup>st</sup>, an Alabama district court found the CTA unconstitutional in *National Small Business United v. Yellen*.
- **BUT**...the injunction issued in that case only prohibits enforcement of the BOI reporting requirements against the plaintiffs, including then members of the National Small Business Association.
- FinCEN has appealed.
- Additional cases have been filed in other jurisdictions (including *Texas Top Cop Shop v. Garland* in Texas).

HAYNES BOONE

# **How Are Reports Made?**



**HAYNES BOONE** 

5

# What Entities Are "Reporting Companies"?

- Domestic entities created by the filing of a document with a secretary of state or similar office of a U.S. state or Indian tribe
  - FAQ C.7 (1/12/2024): Includes U.S. territories Puerto Rico, Northern Mariana Islands, American Samoa, Guam, and the U.S. Virgin Islands
- Similar foreign entities registered to do business in the United States

**HAYNES BOONE** 





Find the full text of this and thousands of other resources from leading experts in dozens of legal practice areas in the <u>UT Law CLE eLibrary (utcle.org/elibrary)</u>

Title search: Corporate Transparency Act Part 1: The Law

Also available as part of the eCourse

The Corporate Transparency Act in 2024: The Law, Practical Implications, and Ethical Considerations

First appeared as part of the conference materials for the 33<sup>rd</sup> Annual LLCs, LPs and Partnerships session "Corporate Transparency Act Part 1: The Law"