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They're Here Now: Corporate Transparency Act Reporting Requirements

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Many business owners must now report their ownership and address information to a federal database. And New York added another similar requirement of its own. [-] GETTY

Starting this month, the Corporate Transparency Act requires small business entities, including limited liability companies, to report information on their management and ownership to the United States Treasury Department. The government wants this

information to help catch criminals who use these types of entities to launder money and hide their ill-gotten gains.

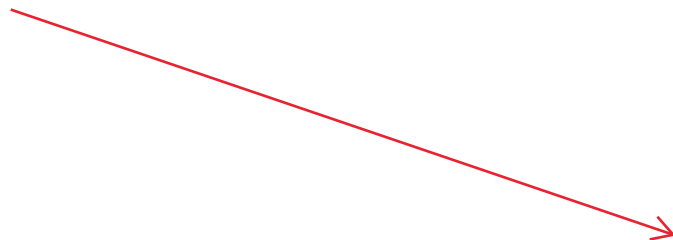
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By the end of 2024, existing companies must file their reports under the CTA. Newly formed companies must report within 90 days after their existence becomes official. These reports must identify the individual people who exercise “substantial control” over the company or own at least 25% of the company’s ownership interests (e.g., stock or LLC membership interests).

For each person identified in these reports, the CTA report must disclose the person’s home address. Whenever that person moves to a new home address, the filing must be updated. Assuming those updates happen, the federal government will now track the home addresses of millions of small business owners. Furthermore, limited liability company agreements or other corporate organizational documents should now require the owners of those entities to provide whatever information the CTA requires.


CTA filings are supposed to remain confidential except as needed by law enforcement and for certain other limited purposes. For example, banks can get CTA information to check out their customers, but only if the customer consents. How often will bank customers not consent?

Late last year, the House of Representatives, by a vote of 420-1, passed [legislation](#) to extend the reporting deadlines under the CTA. That legislation now sits in committee in the Senate and has not progressed. Small businesses cannot be in denial about the CTA. They will need to deal with it, starting now.





After Congress passed the CTA in 2021—over the President’s veto—the Treasury had several years in which to set up CTA reporting systems and requirements. As a result, CTA filings can be submitted online through a [website](#), which reportedly crashes (or otherwise doesn’t work) with some frequency. The CTA website offers lots of information on how to comply with CTA reporting requirements, including a 57-page “[Small Entity Compliance Guide](#)” that is available in 12 languages.



Law firms and corporate service companies have already started to develop a cottage industry devoted to collecting and filing beneficial ownership information. For a law firm, that can require digging through old files and closing binders to identify companies that were created long ago, identifying who must be disclosed for each of those companies, and then reaching out to those people.

The CTA filing itself is not that hard to do, at least for companies with relatively simple ownership structures. I accomplished the filing for my own law firm in less than 10 minutes through the website mentioned above, which did not crash. The process is straightforward and doesn’t necessarily justify a cottage industry.

The CTA website asks some questions about “company applicants” and foreign companies, which typically won’t apply, so that might cause some confusion. But it’s not a difficult filing. Anyone can do it. Millions of people now must.

The CTA law has already inspired fraud, according to the CTA website. That website warns that evildoers have been sending out fake emails informing people that they urgently need to file under the CTA and should immediately click on a link in the email to do so. That link, of course, installs a virus or other malware on the victim’s computer, perhaps leading to a ransomware attack in their future. Thus, in addition to perhaps helping to catch some bad guys, the CTA is helping other bad guys to learn new tricks.

The federal CTA inspired New York to enact its own transparency requirements for limited liability companies. The New York law mostly duplicates the federal one. New York does, however, require public disclosure of: (a) the “street address” of any LLC; and (b) the name (but probably not any address) of anyone who exercises “substantial control” of the company. (See the final law [here](#), although some reports said the Governor had eliminated item “b.”) Ominously, the New York law also gives the Secretary of State discretion to publicly disclose more information. For the most part, however, the New York law adds nothing to the federal requirements except another database, another set of hoops to jump through, another set of government employees to enforce compliance and collect fines, and another small contribution to next year’s New York state budget crisis.

Other states may follow New York’s lead. Perhaps along with all this exuberance about corporate transparency will come some scrutiny of the value created. It will be interesting to know the ratio between (a) the number of filings made; and (b) the number of

criminals caught through those filings. Perhaps the bad guys will simply ignore the disclosure requirements, file fake disclosures (not easy to identify), generate fake LLC agreements if ever audited, or come up with new ways to hide.

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I help buyers, sellers, borrowers, lenders, tenants, property owners, and other commercial real estate market participants identify and achieve their business goals. To do that, I need to understand risk, security, numbers, value, financeability, flexibility, and exit strategy. Some legal issues matter a lot and many don't. It's important to know the difference. I write extensively on commercial real estate law and practice – over 300 articles and five books on leasing, lending, and other areas, with some emphasis on ground leases. I occasionally serve as an arbitrator or expert witness in complex real estate disputes. That lets me see how transactions go wrong. Often, the problems could have been avoided by keeping it simple and following the money, but everyone got sidetracked. As a Forbes contributor, I try to tell stories that teach worthwhile lessons for real estate deals.