



The Corporate Transparency Act:

A Detailed Guide for Small Business Owners

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Introduction to the Corporate Transparency Act

The Corporate Transparency Act (CTA), a transformative legislation embedded in the National Defense Authorization Act for Fiscal Year 2021, was enacted on January 1, 2024. It represents a crucial evolution in business practices, focusing on small businesses in the United States. The CTA's primary goal is to enhance transparency within business structures to prevent financial crimes such as money laundering, tax evasion, and terrorism financing. This article aims to shed light on the key aspects of the CTA, its implications for small businesses, and how companies can navigate these new waters.

Background and Motivation

Historically, the ease of forming anonymous entities in the U.S. has been criticized for facilitating financial crimes. According to the legislation, the CTA is a response to long-standing calls for reform. It is intended to peel back the layers of anonymity and reveal the "beneficial owners" of businesses, thereby making it harder for individuals to misuse U.S. entities for illegal activities. Beneficial owners are those who, directly or indirectly, exercise substantial control over a company or own or control a significant portion of the entity.

Key Provisions of the CTA

A central aspect of the CTA is the development of a federal database managed by the Financial Crimes Enforcement Network (FinCEN), which mandates businesses to report specific information regarding their beneficial owners. The Act classifies "reporting companies" broadly, capturing a wide array of business entities; however, it exempts heavily regulated institutions such as banks, credit unions, and certain types of insurance companies.

The Act broadly defines "reporting companies" to include corporations, limited liability companies, and other similar entities created by filing a document with a secretary of state or similar office. It also encompasses foreign entities registered to do business in the U.S.

Reporting Requirements and Compliance Timelines

Reporting requirements include personal details of beneficial owners, which encompass names, addresses, birth dates, and identification numbers. Newly formed entities are to file this information promptly, with existing businesses granted a grace period of one year from the CTA's effective date to comply. Moving forward, any changes in beneficial ownership must be reported within 30 days.

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The Implications for Small Business Ownership

Small businesses, previously outside the realm of such stringent reporting, must now be proactive in documenting and reporting beneficial ownership information. Non-compliance with the CTA carries significant penalties. Businesses that fail to report the required information or knowingly provide false or incomplete information may face both civil and criminal penalties. Financial penalties can be as much as \$500 daily.

Navigating the New Requirements

To comply with the CTA, small business owners should start by understanding whether their business falls under the definition of a "reporting company" and, if so, whether any exemptions apply. Next, businesses should identify their beneficial owners according to the criteria set forth in the CTA and gather the required information for reporting.

FinCEN's website and the BOI E-Filing System are essential resources for businesses to learn more about the reporting process, deadlines, and requirements. Companies can file their reports electronically through the BOI E-Filing System, which is designed to streamline the submission of beneficial ownership information. On average, it takes about ten minutes to complete the online filing, and hiring a third party to handle this for your business is likely unnecessary.

HR Anew's Commitment to Organizational Success

Aligned with HR Anew's vision of creating thriving workplaces where employers and teams succeed collectively, we are dedicated to informing or guiding small businesses through new compliance requirements. HR Anew's mission emphasizes providing custom-built strategic HR, modern-day recruiting, robust team member relations, equal employment opportunity solutions, transformative DEIBJ, and impactful leader and team training. Our work includes informing small business executives and leaders about federal, state, or local law mandates, especially pertaining to HR. We are here to support you when needed. To learn more about HR Anew, visit our website at <https://hranew.com>.

Encouraging Knowledge Sharing

In the spirit of collective success and transparency, HR Anew and this article encourage businesses to disseminate this critical information within their networks. By sharing this article you will pay it forward, as we are, and help and support the business community by ensuring widespread awareness and preparedness for the CTA's requirements.

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Conclusion and Support Resources

The CTA marks a significant regulatory shift, particularly impacting small businesses in the U.S. By understanding and preparing for and proactively responding to the CTA's requirements, small business owners can avoid penalties and contribute to a transparent business environment. HR Anew stands ready to support businesses adapting to this new landscape and supporting your success and a thriving team.

For further guidance on the Corporate Transparency Act, small business owners are encouraged to access the following:

Financial Crimes Enforcement Network (FinCEN): [FinCEN website](#)

BOI E-Filing System: [BOI E-Filing System](#)

BOI FAQs: <https://www.fincen.gov/boi-faqs>

BOI Information Brochure:

<https://www.fincen.gov/sites/default/files/shared/BOI%20Informational%20Brochure%20508C.pdf>

Video on Corporate Transparency – Secretary Janet Yellen: <https://www.youtube.com/watch?v=Xy7eZuTyfz8>

Video on Corporate Transparency – Secretary Brian Nelson: <https://www.youtube.com/watch?v=4qXv37hf4w>

This article is intended for informational purposes only and does not constitute accounting or legal advice. Business owners should consult with business and legal advisors to better understand how the Corporate Transparency Act applies to your specific circumstances.