

News & Types: Client Advisories

Corporate Transparency Act: Reporting Requirements for Businesses on Hold

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The Corporate Transparency Act (the “CTA”) is a federal law that went into effect on January 1, 2024, aimed at preventing illegal financial activities by increasing transparency in business ownership. The CTA requires certain companies to disclose information about the company’s “beneficial owners” to the Financial Crimes Enforcement Network (“FinCEN”). A “beneficial owner” is anyone who, directly or indirectly, owns 25% or more of the company or who exercises significant control over it.

On December 23, 2024, the United States Court of Appeals for the Fifth Circuit (“Fifth Circuit”) overturned a nationwide preliminary injunction stating that companies do not need to comply with the CTA’s January 1, 2025 reporting deadline. Accordingly, FinCEN announced a new deadline requiring reporting companies to submit their CTA reports no later than January 13, 2025, to avoid penalties.

On December 26, 2024, the Fifth Circuit ordered that the motion which granted a stay on the preliminary injunction be vacated. Based on such order, reporting companies do not need to file a CTA report by January 13, 2025, pending a further decision or order from the Fifth Circuit or a higher court.

WHAT THIS MEANS FOR YOU

If You Have Already Filed Your CTA Information Report:

- No immediate action is required.

If You Have Not Filed Your CTA Information Report:

- If you are in the process of gathering your ownership information, you may wish to continue and file your report while the order is in place.
- You may also withhold from filing but be prepared to file in the future on short notice.

NEXT STEPS

Masuda Funai will continue to monitor the CTA as further developments unfold. While the order is in place, it is unknown how the Fifth Circuit will rule on the CTA and its preliminary injunction. Companies should be

prepared to act quickly, however, if there are any changes to the order or a decision is further rendered by the Fifth Circuit.

PLEASE CONTACT US FOR ASSISTANCE

If you have any questions about the CTA or its reporting requirements, or if you need assistance in filing your report, please contact us for assistance.

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