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## **NEW FEDERAL REPORTING REQUIREMENTS FOR BUSINESS ENTITIES OWNERSHIP AND CONTROL**

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The Corporate Transparency Act (CTA), adopted in the 2021 National Defense Authorization Act as part of the Anti-Money Laundering Act, went into effect on January 1, 2024. CTA requires many business entities to report basic information regarding who owns and controls their company. Many small businesses are either unaware or unprepared to submit the beneficial ownership information of their business that is required by the CTA. Compliance with this rule is especially important for small family businesses, including farming and ranching operations since their management structures and small number of shareholders mean that they are likely to fall within the reporting parameters. If your business entity required a filing with a state, tribe, or foreign government to be formed, this requirement may apply to you.

Under the Beneficial Ownership Information Reporting Rule adopted pursuant to CTA, companies are required to report basic information about the business entity and identify “beneficial owners”, those who either own at least 25% of the company or who exercise “substantial control” over the company, unless the company falls under one of the specified reporting exemptions (for example banks, non-profit companies, or publicly traded companies). Non-exempt entities that existed before January 1, 2024, have one year to file the required reporting paperwork, and must thereafter update it annually. However, a reporting entity must file notice of any material changes in the business entity’s basic information, beneficial ownership, or substantial control interests within 30 days of any such change regardless of the annual update.

For new entities, the time requirements for reporting are more stringent. An entity created on or after January 1, 2024, but before January 1, 2025, has 90 days to file the required reporting paperwork. Entities filed on or after January 1, 2025, will have 30 days to file the required reporting paperwork. Any entities created on or after January 1, 2024, must also report basic information on the person or persons who filed the paperwork to create the entity, such as lawyers, accountants, or business advisors, if they are not a beneficial owner or exercise “substantial control” over the company.

The Financial Crimes Enforcement Network (FinCEN) has developed a Beneficial Ownership Information Reporting Website devoted to the rule with compliance guidance and frequently asked questions. The website address is at <https://www.fincen.gov/boi> . The rule can be found at 31 C.F.R. 1010.380 or on the FinCEN website.

The Treasury Department estimates that there are over 30 million existing entities that will be required to submit information under this rule and expects 5 million new entity filings every year going forward. Failure to file or correct information timely or the provision of false or fraudulent reports may result in civil fines of \$500 a day for as long as the reports remain inaccurate. Failure to comply may also subject the violators to the criminal penalties of fines and imprisonment.

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*A note to the reader: Please be advised that this article is intended to offer general information and should not be considered a replacement for professional legal advice. It is strongly recommended that you seek the guidance of competent legal counsel if you have any inquiries related to legal compliance.*

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