



# Navigating the Corporate Transparency Act: What It Means for You

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## THE CORPORATE TRANSPARENCY ACT (CTA)

The Corporate Transparency Act (CTA), effective on January 1, 2024, introduces significant reporting requirements with far-reaching implications for business owners, high-net-worth individuals, and their estate plans. The CTA is especially significant for Ultra High Net Worth (UHNW) families, who frequently employ sophisticated entity structures for investment management, asset protection, and estate planning. The new law requires many of these entities to report beneficial ownership information to the Financial Crimes Enforcement Network (FinCEN).

This unprecedented level of disclosure poses unique challenges for UHNW families, potentially compromising the privacy they have long maintained through these structures. Moreover, it introduces new reporting obligations that may impact the effectiveness and efficiency of their carefully crafted wealth preservation strategies. As a result, UHNW families must now navigate a complex balance between regulatory compliance and the preservation of their financial privacy and strategic advantages.

This whitepaper outlines the key aspects of the CTA, areas of your estate plan that may need review before year-end, and the steps we're taking to help ensure compliance.

## Details on the Corporate Transparency Act and What It Mandates

### What Is the Corporate Transparency Act?

The CTA was enacted by Congress in January 2021 as a key component of the Anti-Money Laundering Act of 2020. This legislation represents a significant shift in U.S. policy toward combating financial crimes. The primary objective of the CTA is to curtail the use of anonymous shell companies in illegal activities, particularly money laundering. Under the CTA, the U.S. Department of the Treasury's Financial Crimes Enforcement Network (FinCEN) is mandated to establish and maintain a comprehensive database of beneficial ownership information. This database is designed to provide unprecedented transparency, allowing the government to identify and trace the individuals who ultimately own or control privately held entities. While this database will not be accessible to the general public, it will serve as a powerful tool for various government agencies involved in law enforcement, national security, and financial regulation.

For UHNW families and other entities subject to these new reporting requirements, the CTA necessitates a careful reassessment of existing corporate structures and privacy strategies. It underscores the growing tension between the desire for financial privacy and the increasing global push for transparency in financial dealings.

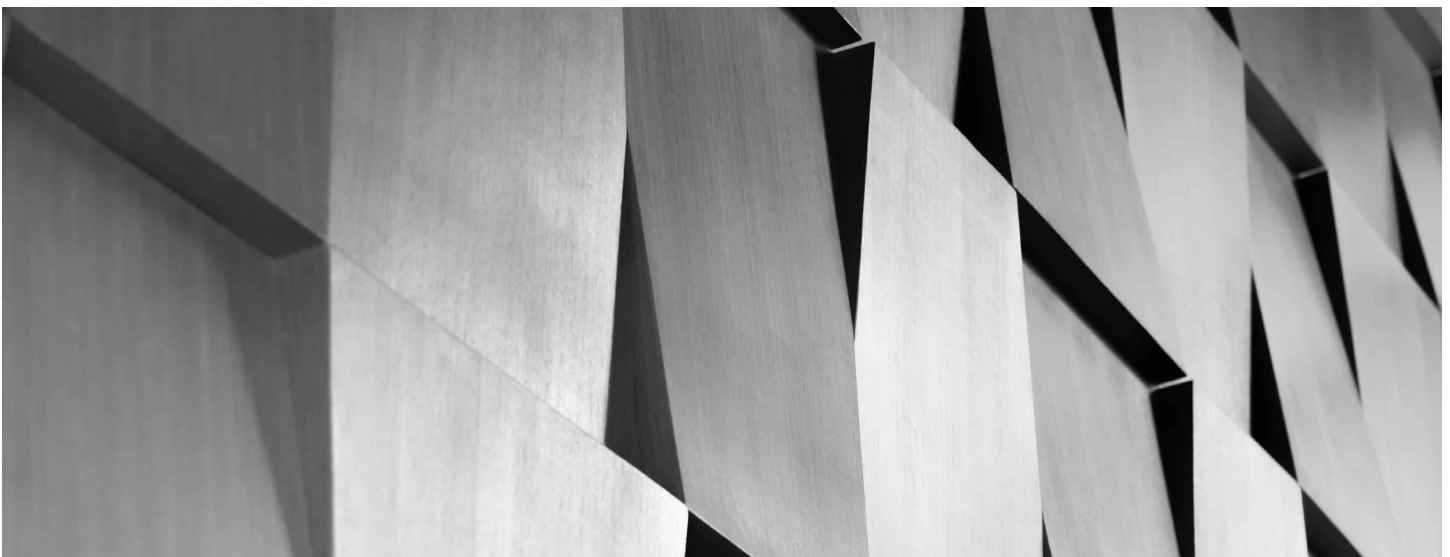
### Reporting Requirements Under the CTA

The CTA introduces comprehensive reporting obligations for “reporting companies,” requiring them to electronically submit specific information about their “beneficial owners” and “company applicants” to FinCEN.

**Reporting Companies:** This category encompasses a wide range of entities, including:

1. Corporations, LLCs, partnerships, and similar entities created by filing documents with any U.S. state
2. Certain foreign entities registered to do business in the U.S.

Most entities created for estate planning purposes will fall under the reporting requirement. The CTA provides 23 categories of exempt entities, many of which are already subject to similar regulations. These exemptions include banks, credit unions, tax-exempt entities, public utilities, and large operating companies. For a full list of exemptions, refer to the FinCEN website by clicking [here](#).



**Beneficial Owners:** A “beneficial owner” is defined as an individual who either:

1. Directly or indirectly exercises “substantial control” over the entity or
2. Owns or controls at least 25% of the reporting company.

The definitions of “substantial control” and “ownership” are broad, necessitating careful analysis, especially when dealing with complex structures involving tiered entities and trusts. For trusts that own reporting companies, beneficial owners to be reported may include:

- Trustees or individuals with the authority to dispose of trust assets (e.g., trust protector).
- Beneficiaries who are sole permissible recipients of income and principal, or who have the right to demand a distribution of or withdraw substantially all of the trust’s assets.
- Grantors or settlors with the right to revoke the trust or withdraw its assets (e.g., in the case of a revocable trust).

Are there any exceptions to the definition of “Beneficial Owner?” The rule provides limited exceptions to the “beneficial owner” classification:

- Minor children (provided a parent or legal guardian is reported as a beneficial owner)
- Nominees
- Employees (excluding senior officers)
- Future inheritors
- Creditors

**Company Applicants:** For reporting companies formed after January 1, 2024, the “company applicant” must also be reported. This typically refers to the individual who files the formation or registration documents (e.g., Certificate of Formation or Articles of Organization).



## Reporting Process & Required Information

The Corporate Transparency Act (CTA) mandates comprehensive reporting of specific information about reporting companies, their beneficial owners, and in some cases, company applicants. Given the complexity and potential consequences of non-compliance, working closely with your legal and tax advisors throughout this process is crucial. They can provide invaluable guidance on interpreting the requirements, gathering the necessary information, and ensuring accurate and timely filing.

### Company Information

Reporting companies must provide the following information about itself:

- The legal name of the company.
- Any trade name (DBA) used by the company.
- The current street address of its principal place of business. If the principal place of business is not in the U.S., then the company will report the address from which it conducts business in the U.S.
- Taxpayer identification number (EIN/SSN/ITIN, as appropriate).

### Beneficial Owner Information

Reporting companies must provide the following information for each beneficial owner:

- The individual's legal name, date of birth, and residential street address.
- A unique identifying number from an acceptable identification document.
- The name of the state or jurisdiction that issued the acceptable identification document.
- An image of the acceptable identification document.

### Company Applicant Information, if Required

For companies created on or after January 1, 2024, the following information must be provided for the company applicant:

- The individual's legal name, date of birth and complete current address.
  - Report the individual's residential street address, except for company applicants who form or register a company in the course of their business, such as paralegals. For such individuals, report the business street address. The address is not required to be in the United States.
- A unique identifying number from an acceptable identification document.
- The name of the state or jurisdiction that issued the acceptable identification document.
- An image of the acceptable identification document.



## Filing Deadlines

Starting January 1, 2024, all U.S. entities must either qualify for an exemption or submit beneficial ownership information to FinCEN. Key deadlines include:

- **Entities formed before January 1, 2024:** One year to comply (on or before December 31, 2024).
- **Entities formed between January 1, 2024, and December 31, 2024:** 90 days to comply.
- **Entities formed on or after January 1, 2025:** 30 days to comply.

## Penalties for Non-Compliance:

Failure to comply may result in civil penalties of \$500 per day (up to a maximum of \$10,000) and criminal penalties of up to two years imprisonment for willful non-compliance.

## The Importance of Professional Guidance:

Given the complexity of these requirements and the potential for significant penalties, it is strongly recommended that you engage your legal and tax advisors in this process. They can:

1. Help interpret the nuances of the CTA as it applies to your specific situation
2. Assist in identifying all relevant beneficial owners across complex entity structures
3. Ensure all required information is accurately collected and reported
4. Advise on any potential restructuring to optimize compliance and privacy
5. Develop ongoing compliance strategies to meet future reporting obligations

Remember, while the reporting process may seem straightforward, the definitions and requirements under the CTA are complex and far-reaching. Your professional advisors are best equipped to navigate these waters, ensuring your compliance while protecting your interests. Don't hesitate to lean on their expertise throughout this process.



## Strategic Action Plan for Ultra High Net Worth Families Navigating the CTA

The Corporate Transparency Act (CTA) presents unique challenges and considerations for Ultra High Net Worth (UHNW) families. This comprehensive guide outlines key steps to ensure compliance while preserving the integrity of your estate and investment structures.

1

### Comprehensive Entity Review

- Inventory all entities in the family structure to identify those that qualify as “reporting companies” under the CTA.
- Map out ownership structures, including trusts, holding companies, and operating businesses.

2

### Beneficial Ownership Analysis

- Identify all individuals who may qualify as “beneficial owners” for each entity, particularly in complex ownership structures.
- Pay special attention to trust structures, considering trustees, protectors, grantors, and certain beneficiaries.

3

### Information Gathering & Verification

- Develop internal processes for collecting and updating required information. Consider designating a family office member or tax advisor to oversee CTA compliance.
- Collect and verify required personal information for beneficial owners and company applicants, ensuring accuracy and completeness.
- Create a detailed timeline for CTA compliance based on entity formation dates, prioritizing entities with earlier reporting deadlines.

## 4

### Future Estate Planning Considerations

- Evaluate how CTA requirements may impact future estate planning and investment strategies.
- Consider the timing of new entity formations in light of reporting deadlines.

## 5

### File BOI Report with FinCEN

- Submit the Beneficial Ownership Information (BOI) report through the FinCEN portal, ensuring all required data is accurately reported.

## 6

### Documentation & Record Keeping

- Establish a secure system for maintaining copies of all CTA-related filings and supporting documentation.
- Ensure this system is accessible to authorized family members and advisors.

By following this comprehensive action plan, UHNW families can navigate the complexities of the Corporate Transparency Act while maintaining the efficacy of their estate and investment structures. Remember, the key to successful compliance lies in proactive planning, thorough analysis, and ongoing engagement with your professional advisors. As the regulatory landscape continues to evolve, staying informed and adaptable will be crucial to protecting your family's interests and ensuring long-term compliance.



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