

# Small Business Notes

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## **Congress Passes Corporate Transparency Act to Collect Information on Beneficial Owners of Businesses. But Certain Exceptions May Reduce Possible Burden On Small Businesses**

On January 1, 2021, the Congress overrode the President's veto of the National Defense Authorization Act for Fiscal Year 2021 thus making the Act new law. Part of the Act was the Corporate Transparency Act intended to combat money laundering by requiring corporations and LLCs formed in the United States (or formed in Tribal Nations) and foreign corporations authorized to do business in the United States to provide information to the U.S. Treasury's Financial Crimes Enforcement Network (FinCEN) on the beneficial owners of the business entity (called a "Reporting Company").

The Act defines a beneficial owner as an individual who owns or controls not less than 25 percent of the ownership interests of the reporting company; or who exercise substantial control over the reporting company through contract, agreement, understanding, relationship, or otherwise.

The following information on each beneficial owner is to be reported: full legal name; current residential or business street address; date of birth; identification number such as a passport or driver's license number.

Given the concerns raised in pre-passage hearings and discussions on the burden and cost to small businesses that would be raised by such a requirement, it is significant that the Act exempts the following from the terms of the Act:

- Entities that are already closely regulated, like banks, securities broker-dealers, investment advisors, insurance companies, utility companies, telecommunications service companies;
- Publicly traded companies;
- Tax exempt entities;
- **Emphasis Added.** Taxable entities that have (1) more than 20 full time U.S. employees; (2) a physical office in the United States, and (3) more than \$5 million in gross receipts or sales.

The Act gives the U.S. Treasury up to one year to make rules implementing the Act.

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