

Corporate Transparency Act Requires Small Businesses to Disclose Owners

“In January 2021, Congress passed the Corporate Transparency Act of 2019 (the “CTA”) as part of the 2021 Defense Bill. Initially introduced in 2019, the CTA requires private companies to disclose their ‘beneficial owners’ to the Department of the Treasury’s Financial Crimes Enforcement Network (‘FinCEN’),” writes Wright Lewis in *Dunlap Bennett & Ludwig’s In the News*.

Nearly two million corporations and LLCs are formed nationwide each year, and most states, including Maryland and Virginia, do not require information about the beneficial owners (of these entities when they are formed. The District of Columbia does require information about beneficial owners. States that do not require reporting of beneficial owner information allow the beneficial owners of these companies to conceal their identities. This feature is often used to protect the owners’ privacy or for strategic reasons. Probably the most famous case of using anonymous corporations is Walt Disney, who used them to acquire vast swaths of land in Central Florida that was ultimately used to construct Walt Disney World. However, Congress and the law enforcement community were concerned that anonymous ownership of corporations and LLCs aided criminals in the commission of crimes like terrorism, money laundering, piracy, tax evasion, and securities fraud. The lack of beneficial ownership information makes it more difficult for law enforcement to investigate and prosecute these crimes. The CTA was passed in order to address this information gap and provide transparency in corporate ownership to law enforcement.

Read the blog.