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NOTICE REGARDING NEW FEDERAL REPORTING REQUIREMENT FOR CERTAIN BUSINESS OWNERS (INCLUDING LLCs)

On January 1, 2021, Congress enacted the **Corporate Transparency Act (“CTA”)** in an effort to detect and prevent money laundering, terrorist financing, and other forms of illegal financing. The law requires all entities registered with a secretary of state (or similar office) to report the “beneficial owners” who own or substantially control at least 25% of the company’s ownership interests. *As enacted*, the law mandates that entities formed prior to 2024 must complete the **Beneficial Ownership Interest Report (“BOIR”)** by December 31, 2024. Entities formed during 2024 must complete the BOIR within 90 days of formation. Any changes to BOI information must be reported within 30 days of change. Civil penalties for non-compliance start at \$591 per day. Criminal penalties can be imposed up to \$10,000 and/or imprisonment up to two years. The **Financial Crimes Enforcement Network (“FinCEN”)**, a division of the US Treasury) has been tasked with administration and enforcement of this law.

Since its effective date of January 1, 2024, the constitutionality and enforceability of the Act have been alternately challenged and upheld multiple times. The most recent ruling dropped December 26, 2024, when the merits panel of the US Court of Appeals for the Fifth Circuit upheld an injunction to pause reporting requirements and enforcement action until further notice (expected March, 2025). Subsequently, the Justice Department requested the Supreme Court to rule on the injunction. And on January 15, 2025, bills to overturn the CTA were introduced in both the US House of Representatives and the US Senate. Thus, we remain in uncertain territory.

Therefore, as of this publication date, reporting companies do not currently have filing obligations under the CTA. However, we advise all companies to be prepared to meet the reporting requirements in the event enforcement of the BOI reporting resumes. Reporting companies may continue to voluntarily submit beneficial ownership information reports at fincen.gov/boi.

Lastly, we strongly urge that you be wary of solicitations from any unknown individual or business offering to assist you with BOI reporting. Convincing scams have been identified and reported to FinCEN. In searching for BOIR information, be sure to confine your search to the official “.gov” website. BOI links ending in .com, .net, .org, etc. are not official.

If you have any questions regarding the legal implications of these recent court proceedings or need assistance with a legal determination as to whether an exemption applies to your entity or

whether legal relationships constitute beneficial ownership, we strongly encourage you to reach out to legal counsel with expertise in this area to assist your organization.

Additional guidance and explanation are available in the FAQs of the US government's FinCEN website ([fincen.gov/boi-faqs](https://www.fincen.gov/boi-faqs)).

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