


THE CORPORATE TRANSPARENCY ACT

Table of contents

- 01** **What is typically filed**
- 02** **Background of the act**
- 03** **Reporting Persons**
- 04** **Reporting Contents**
- 05** **Reporting Timeline**
- 06** **Consequences**


01

What we File now



Articles of Organization

Limited to *LLCs*.




Articles of Incorporation

Limited to *corporations*.


State of Michigan

These reports need only be filed with the state
unless there is a significant change to the
entity or renewal is required



Certificate of Doing Business under
Assumed Name

When doing business under a name
different than the **entity** name,



Certificate of Change in Registered
Office/Resident Agent

If there is a **change** in the business in
Michigan.

Federal Forms

- ❖ Employer ID Number (**EIN**)
 - Obtain a number unless the owner is using their SSN
- ❖ Subchapter S-Corporation Election
 - Must be filed with the IRS.

02

Background of the Act

What is the Corporate Transparency Act?

- ❖ A **mandatory report** issued by the **federal government** to prevent:
 - > Terrorism
 - > Money laundering
 - > Ferret out shell corporations

What does the report require?

- ❖ Direct information about **who** and **where** the company owner is

Should I be concerned?

No.

Data reported or filed under the act is **not** for public use. The only way anyone can access the information is by:

- ❖ A request from a **local, tribal, state, or federal law enforcement agency**
- ❖ A request from a **federal agency** on behalf of a **law enforcement agency of another country**
- ❖ A request made by a **financial institution with customer consent**



Why is this happening now?

Many other countries have already had laws in place similar to the Corporate Transparency Act for a while, the United States is late to the game.

The act has been considered since 2008 and is **just now** being implemented.

Filing Exemptions

If an entity has all of the following:

- ❖ More than 5 million dollars in gross revenue and
- ❖ More than 20 full-time employees and
- ❖ An physical presence in the United States- own or lease property in the U.S.

...they are **not required** to file a report for the Corporate
Transparency Act

03

Reporting persons

Who Reports?



**Reporting
companies**



**Beneficial
owners**



Applicants

Reporting Companies

A reporting company is defined as...

“A corporation, LLC, LP, or other similar entity that is created by...

- ❖ filing a document with the Licensing & Regulatory Affairs/Corporate Division (in Michigan)
- ❖ formed in a foreign country that is registered to do business in the United States.”

Beneficial owners

A beneficial owner is...

- ❖ An individual who exercises **substantial control** over the entity such as...
 - > Someone who can **hire and fire** within the entity
 - > Someone who has influence over **policy** and **decisions** within the entity
- ❖ Someone who owns **25% or more** of the entity
- ❖ Someone who receives **substantial economic benefits** from the entity

Applicants


An applicant is...

- ❖ The individual who **completes the application** and/or **files the report**
 - Applicants only file **once**
- ❖ Example:
 - The **attorney** or **law firm staff member** filing the report

04

Report contents

What do you report?



Full legal name/Trade names/”doing business as”

- ❖ Jane Doe Smith
- ❖ Smith Housing Co.
- ❖ “Smith Housing” (trade/dba)



Business street address


- ❖ The address of “Smith Housing Co.”
 - 1234 Main Street,
Kalamazoo, MI 49xxx

Reporting Companies



State of Formation

If “Smith Housing Co.” was filed in California but operates in Michigan, the state of filing would be **California**.



Taxpayer Identification Number AND employer identification number

Beneficial Owner

Full Legal Name

John David Smith

Date of Birth

01/01/1970

Current Residential Address

- ❖ The address of *John David Smith*
 - *4567 Apple Blvd.,
Kalamazoo, MI
49xxx*

An Identifying number from an identifying document

- ❖ Drivers license
- ❖ Passport
- ❖ Government-issued identification document

An image of the identification document used

05

Reporting timeline

Existing Entities

Companies formed before January 1, 2024

- ❖ January 1, 2025
- ❖ Company applicant information is **not required**
- ❖ A federal annual report is required alongside existing documents

New Companies

Companies formed after December 31, 2023

- ❖ **30 calendar days** after the formation of the company once the report is filed and has a filing number
- ❖ Company applicant information is **required**
- ❖ A federal annual report is required alongside existing documents

If there is a change in business...

Changes in **business structure, people, registered agent, or office** must file a new report within **30 calendar days*** for any **changes, mistakes, or establishment of new businesses**.

*30 calendar days includes weekends

Example of A change in business

Jack and **Anna**, husband and wife, and their daughter, **Sarah**, each **directly own** one-third of Pear Co., a corporation in which they run their small family farm. **Sarah** serves as **president**, **Anna** is the **chief officer**, and **Jack** is the **general counsel**. There are no other individuals who serve as senior officers or exercise substantial control through any other arrangement.

Jack, **Anna**, and **Sarah** are the only **beneficial owners** of the **reporting company**, Pear Co.

If **Sarah** steps down from her role as **president** but maintains her **ownership interest**, and her brother **Noah** is named **president** of Pear Co., then **Noah** would also be a **beneficial owner** and a **new report must be filed**.

06

Consequences

Failure to Report


It is unlawful for “*any individual or reporting company*” to willfully provide (or attempt to) provide:

- ❖ False or fraudulent beneficial ownership information
- ❖ Wilfully fail to complete or update beneficial ownership information

Penalties

- ❖ **Civil penalties**
 - \$500/day each day the violation continues
- ❖ **Criminal penalties**
 - \$10,000 fine
 - Imprisonment for no longer than two years

In Sum



As of now, there is no form to review and complete. This presentation serves to provide information on the upcoming act to better prepare businesses for what is to come.

For any further questions, please email SLevine@levine-levine.com or call (269) 382-0444.