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,

<u>Certificate of Change in Registered</u> <u>Office/Resident Agent</u>

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 <u>all</u> 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

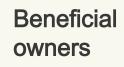


03 Reporting persons



Who Reports?









Reporting Companies

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

ATTORNEYS AT LAW

I EVINE 🕒 I EVINE

Date of Birth

01/01/1970

An image of the identification document used

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

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 <u>SLevine@levine-levine.com</u> or call (269) 382-0444.

