

Part 6: Addressing and Demystifying Common Denials Surrounding the Upcoming CTA

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CTA Denial #6: “If I get caught, I’ll just pay the fine.”

The CTA provides for civil fines of \$500 per day, up to \$10,000, per violation of the Act. The Act also provides for a criminal penalty of up to two years’ imprisonment for CTA violations. It is important to note that the fine is per violation—not simply for violating the Act. The Act has requirements for filing report corrections and amendments based on changing circumstances, and CTA violations will likely involve multiple instances of noncompliance before FinCEN comes knocking on your door. Each reporting obligation also has a very short window (thirty calendar days) within which to make the required filing, making inadvertent violations of the CTA highly likely. Further, with only twenty days needed to reach the maximum fine of \$10,000 per violation, many violations will likely come with the maximum \$10,000 price tag.

These factors, in combination, could cause a simple act of not reporting to turn into the accrual of tens of thousands of dollars, or even hundreds of thousands of dollars, in fines by the time FinCEN identifies the violation and pursues collection. This will be particularly true in the first year of implementation, when 32.6 million reporting companies are projected to require reporting, with five million additional reporting companies being added each year thereafter.

Also, did I mention prison time? Noncompliance could be a costly proposition—far in excess of an initial \$10,000 price tag.

Conclusion

The Corporate Transparency Act is a new beneficial owner reporting requirement in the United States. Beginning January 1, 2024, tens of millions of U.S. business entities, and their beneficial owners, will become subject to FinCEN’s new requirements which were originally designed to catch “bad” actors choosing to hide behind the “corporate veil.” Whether you like it, hate it, or are indifferent, the CTA is here to stay. Compliance is both mandatory and advisable. Now is the time to discuss this with your legal team for guidance.