

THE CORPORATE TRANSPARENCY ACT: WHAT DOES A CPA NEED TO KNOW?

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More and More Reporting to the U.S. Department of Treasury

In a seemingly never-ending quest to crack down on money laundering, funding of terrorism, and tax evasion, our federal government's latest attempt to prevent individuals from concealing their business holdings through shell companies and complex ownership structures is a doozy: the Corporate Transparency Act (the "**CTA**").

Curiously, the CTA was enacted without much fanfare. It was embedded in legislation passed as part of the [William M. \(Mac\) Thornberry National Defense Authorization Act for Fiscal Year 2021](#), (Pub.L. No. 116-283 (H.R. 6395), 134 Stat. 338, 116th Cong. 2d Sess.), with the CTA found in new [§ 5336 to Title 31 of the United States Code](#).

As we get closer to the date that reporting requirements start – January 1, 2024 - the enormity of this law is coming into focus for attorneys and other professionals.

The choice of a lawyer is an important decision and should not be based solely upon advertisements.

What is the CTA, in a nutshell?

The CTA and its associated regulations ([Treasury, FinCEN, Beneficial Ownership Information Reporting Requirements, 87 FR 59498, Sept. 30, 2022](#)) impose a duty on "**Reporting Companies**" to obtain, certify, and file "**Identifying Information**" regarding the entity's "**Beneficial Owners**," and its "**Company Applicant**" to the U.S. Treasury, through the Financial Crimes Enforcement Network ("**FinCEN**"). [These new requirements take effect on January 1, 2024, and carry significant penalties for non-compliance.](#)

Why Should a Tax Practitioner Care about the CTA?

Tax accountants are well accustomed to the myriad of tax filings required to be filed with the U.S. Department of Treasury. Notably, however, reporting under the CTA is not a requirement for **taxpayers**; rather, it is a requirement for **individuals** who are beneficial owners of reporting companies. So, while CTA reports are filed with the U.S. Department of Treasury, they are filed with FinCEN and not the IRS. CTA reports are categorically not tax forms and have nothing to do with tax reporting.

So, why should a CPA care about the CTA? Here are a few reasons:

1. A CPA may be a client's first thought of who can help them comply with their duties to report information to the U.S. Department of Treasury under the CTA. It should be noted, however, that the AICPA has cautioned Congress that there is a debate amongst accounting and finance professionals as to whether providing advice regarding requirements under the CTA may be considered the "[unauthorized practice of law](#)."
2. CPAs assist clients with tax planning, which may involve complex ownership structures for completely legitimate and proper purposes. Not infrequently, taxpayers take certain comfort in not being identified in the tax form being filed. For instance, if a K-1 is issued to an irrevocable trust that is the owner of the partnership filing the return, the beneficial owner of the trust is not necessarily identified on the K-1. Such anonymity may not be possible under the CTA. So, tax planners that have touted anonymity as being a benefit to tax planning may want to advise their clients that the glory days are over.

Conclusion

At least for now, January 1, 2024, is still the date that CTA reporting requirements come into effect. Unless the legality of the CTA is successfully challenged or Treasury delays the effective date, now is the time to be prepared for CTA compliance.

Learn more about the CTA and its potential implications for your business by visiting our [CTA](#)

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