

WEISS



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December 31, 2023

## What You MUST Know About Corporate Transparency Act Reporting Starting in 2024

Don't kill the messenger.

I'm sorry to have to tell you this, but starting one day after this article is published, you're going to have to worry about more government intrusion *into* your business life courtesy of the federal Corporate Transparency Act (the "CTA"). As you might've guessed, transparency runs one way, transparency into your business. And, thankfully, there are some exceptions, so pay close attention.

Although many, including I, question why "money laundering" is actually a crime (because money laundering requires an underlying crime which is, of course, the actual crime), I'm not going to dwell on that, other than to say that the CTA was enacted as a separate law to back up enforcement of, yes, investigations into money laundering. And, of course, failure to comply with the reporting requirements of CTA is a separate crime.

Here are the basics – the actual application of the law, which is to be fleshed out by way of regulations to be adopted, is far more complex, and each entity's specific circumstances must be analyzed.

### *When Reporting Goes Into Effect*

Companies that were in existence prior to January 1, 2024, are required to report before January 1, 2025.

Companies formed on or after January 1, 2024, must report within 30 days after their formation.

### *Is Your Business Required to Report?*

If your business is a "reporting company" it's required to report to the federal government's "Financial Crimes Enforcement Network" (AKA "FinCEN").

Any business entity including but not limited to a corporation or an LLC that was formed by way of a filing with a Secretary of State or similar office, is a reporting company unless an exception applies. (Foreign companies registered to do business in any U.S. state are also included.)

There are 23 exemptions, including, among others, the following:

- "Large operating companies". Roughly speaking, to qualify, the entity must employ more than 20 full time employees in the U.S., have an operating presence at a physical office in the U.S., and must have filed a Federal income tax return for the previous year demonstrating more than \$5 million in gross revenue.
- Financial institutions.
- Accounting firms.
- Public companies.

### *What Kind of Information Must be Reported?*

If you're required to report, you must provide (via a FinCEN electronic portal) three categories of information: company information, beneficial owner information, and company applicant information.

### 1. Company information

The business' legal name, trade names, address, and EIN.

### 2. Beneficial owner information

Beneficial owners are those who exercise substantial control over the entity. This would include executive officers or those with authority to enter into significant contracts. It also includes those who own or control at least 25% of the ownership interests.

The information to be reported includes each beneficial owner's name, date of birth, address, driver license or passport number, and an image of the driver license or passport.

### 3. Company applicant information (for companies created/registered to do business on after January 1, 2024).

A company applicant is a person who directly files the formation document with the Secretary of State or who directs or controls the filing.

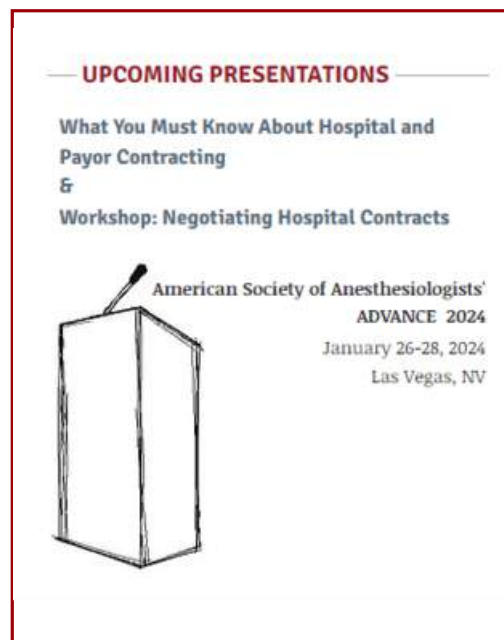
If a reporting company is required to file information on the company applicant, it is the same information that is filed in connection with a beneficial owner.

As indicated above, the complete reporting requirements, once again giving a nod to the fact that final regulations have not yet been adopted, are far more complex. Under some circumstances, an individual beneficial owner might want to report directly. There are requirements to update information that is no longer current and, as mentioned, the failure to comply with the CTA's requirements can be enforced criminally.

I expect that the CTA will directly pick up many medical groups and other professional practices.

Others, for example, groups organized as partnerships of professional corporations that can be created under state law not requiring a formation filing might themselves not be subject to CTA reporting, but each of the partner entities, i.e., the professional corporations, would be.

Careful analysis and complete reporting are required





## Wisdom. Applied. - 181: No More Room for Average

There's no more room for average in terms of any medical practice's business approach. This applies regardless of specialty or whether you are hospital-based or office-based. This applies whether you are in solo practice or with a group.

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### All Things Personal

The plane was 4 hours late. It was a great experience.

We boarded. We sat, and sat, and sat. We deplaned. We sat. We re-boarded. We sat. And, finally, we were on our way.

Yet from the start, the pilot gave us an update every 15 minutes or so. When we deplaned, the gate agent kept us informed. And we reboarded, the cabin crew and the pilots greeted us and thanked us for our understanding and for our business.

American Airlines pulled off a victory from the jaws of consumer defeat.

Three weeks ago, I was in a hospital. I overheard two nurses lying to patients about how long they'd be waiting for their procedures.

When an airline outperforms members of the most admired profession, either we're in trouble or (reframe!) we have tremendous opportunity to turn disappointment into delight.

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We all hear, and most of us say, that the pace of change in healthcare is quickening. That means that the pace of required decision-making is increasing, too. Unless, that is, you want to take the “default” route. That’s the one in which you let someone else make the decisions that impact you; you’re just along for the ride. Of course, playing a bit part in scripting your own future isn’t the smart route to stardom. But despite your own best intentions, perhaps it’s your medical group’s governance structure that’s holding you back. In fact, it’s very likely that the problem is systemic. The Medical Group Governance Matrix introduces a simple four-quadrant diagnostic tool to help you find out. It then shows you how to use that tool to build your better, more profitable future. Get your free copy [here](#).

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- 2. Be a guest on “Wisdom. Applied. Podcast.”** Although most of my podcasts involve me addressing an important point for your success, I’m always looking for guests who’d like to be interviewed about their personal and professional achievements and the lessons learned. [Email me](#) if you’re interested in participating.
- 3. Book me to speak to your group or organization.** I’ve spoken at dozens of medical group, healthcare organization, university-sponsored, and private events on many topics such as The Impending Death of Hospitals, the strategic use of OIG Advisory Opinions, medical group governance, and succeeding at negotiations. For more information about a custom presentation for you, [drop us a line](#).
- 4. If You’re Not Yet a Client, Engage Me to Represent You.** If you’re interested in increasing your profit and managing your risk of loss, [email me](#) to connect directly.