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Legislative Update

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News & Announcements

Recent Events regarding the Federal and NY Transparency Acts

In our prior Client Alerts, we advised you that the Federal Corporate Transparency Act (CTA) went into effect on January 1 and that New York adopted an LLC Transparency Act (LLCTA) that would go into effect at the end of this year. Important things happened in March for both laws, including proposed (CTA) and actual (LLCTA) extensions to their requirements.

Corporate Transparency Act

On March 1, a federal district court in Alabama ruled that the CTA is unconstitutional as exceeding Congress's power. While the court entered a judgment enjoining enforcement of the CTA, don't get too excited. The Justice Department has filed a Notice of Appeal and FinCEN has issued a release that it:

will continue to implement the Corporate Transparency Act as required by Congress, while complying with the court's order. Other than the particular individuals and entities subject to the court's injunction ... reporting companies are still required to comply with the law and file beneficial ownership reports as provided in FinCEN's regulations.

However, this decision, calling the CTA into question, has renewed calls for a delay of the CTA. Legislation is pending in both houses of Congress that would provide additional time for both pre-existing and newly formed entities

to make their initial filings. On March 19, a coalition of more than 120 trade associations sent a letter to Congress urging passage of this legislation (<https://s-corp.org/wp-content/uploads/2024/03/CTA-Coalition-Letter-March-2024.pdf>).

LLC Transparency Act

Also on March 1, Gov. Hochul signed an amendment to the LLCTA. In our original Client Alert about the LLCTA, we advised that a major difference between it and the CTA was that the Federal database was intended to be confidential while parts of the NY database would be publicly available. The amendment provides that the NY database will now also be confidential. As with the CTA, the information can be made available to government agencies, law enforcement and others. However, the LLCTA has a broad exception for disclosures “by court order,” which the CTA does not.

The revised LLCTA still requires annual filings, even if there is no change in the reported information, and that exempt entities file initial and annual statements advising of the basis for exemption. Both of these requirements differ from the CTA. In terms of time, once the LLCTA goes into effect, it requires newly formed entities to make an initial filing within 30 days, which matches the current CTA requirement. The proposed Federal legislation would extend the Federal filing deadline to 90 days. If the Federal extension is passed, there will probably be a push to extend the NY deadline to keep things consistent.

Last, but certainly not least, the amendment extends the effective date of the LLCTA until January 1, 2026. This will allow the Department of State extra time to adopt implementing regulations and set up a website for electronic filing.

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SSRGA is continuing to monitor these issues, and will provide further updates as information becomes available. If you have questions about your reporting obligations, SSRGA is here to help. Please reach out to your regular contact partner or any of the members of SSRGA's CTA Working Group:

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