

## Department of Licensing and Consumer Protection

### **Frequently Asked Questions: Federal CTA Beneficial Ownership Reporting Requirements and Registered Entities in the District of Columbia**

#### **1. What is the Federal Corporate Transparency Act?**

The Federal Corporate Transparency Act (“CTA”) was enacted by Congress on January 1, 2021, as part of the National Defense Authorization Act. The CTA includes significant reforms to anti-money laundering laws and is intended to help prevent and combat money laundering, terrorist financing, corruption, and tax fraud.

#### **2. What new requirements are there for businesses as a result of the federal CTA?**

The CTA establishes a beneficial ownership reporting requirement for corporations, limited liability companies, and other similar entities formed or registered to do business in the United States.

Beneficial ownership reports must be filed with the [Financial Crimes Enforcement Network \(FinCEN\)](#), a bureau within the U.S. Department of Treasury, beginning January 1, 2024.

#### **3. What is Beneficial Ownership Information?**

Beneficial ownership information refers to identifying information about the individuals who directly or indirectly own or control a company.

#### **4. I already provide beneficial ownership information to DC’s Corporation Division. Why do I also need to provide it to FinCEN?**

The District of Columbia has required beneficial ownership reporting for all entities who are formed or registered to do business in the District since January 1, 2020.

Now, due to the passing of the Federal Corporate Transparency Act, certain types of entities will also need to [report beneficial ownership information to FinCEN](#) as well.

This is a new federal requirement and is separate from DC’s beneficial ownership requirement. Entities supply beneficial ownership information to the District via existing required filings (Articles of Incorporation, BRA-25 Biennial Reports, etc.). Now, many of these entities will need to submit a separate filing, [directly to FinCEN](#).

**5. Does the DC code define a beneficial owner the same way as the Corporate Transparency Act?**

No. The District of Columbia code and the Federal Corporate Transparency Act have somewhat different definitions of who a beneficial owner is.

The District of Colombia defines a beneficial owner as a:

“...person whose aggregate share of direct or indirect, legal, or beneficial ownership of a governance or total distributional interest of the entity:

(A) Exceeds 10%; or

(B) Does not exceed 10%; provided, that the person:

(i) Controls the financial or operational decisions of the entity; or

(ii) Has the ability to direct the day-to-day operations of the entity.

FinCEN [defines a beneficial owner](#) as an:

“individual who either directly or indirectly:

(1) exercises substantial control over the reporting company, or

(2) owns or controls at least 25% of the reporting company’s ownership interests”

More information, including definitions of “[substantial control](#)” and “[ownership interests](#)” under the CTA can found on FinCEN’s website.

**6. Should the beneficial owner information I report to DC’s Corporations Division be the same as the beneficial owner information I report to FinCEN?**

Not necessarily. Because FinCEN’s [definition of a beneficial owner](#) is not the exact same as the District’s, it may be the case that what you need to report to FinCEN differs from what you need to report to DC’s Corporations Division.

Additionally, FinCEN requires that entities formed after January 1, 2024, [the company applicant](#) must also be reported.

Consult your business network (attorney, accountant etc.) to ensure you are reporting the correct ownership and company applicant information to FinCEN.

**7. What are other differences between DC’s beneficial ownership reporting requirement and FinCEN’s?**

In addition to the different definition of a beneficial owner between DC and FinCEN, there are some other notable differences ([Refer to summary table](#)).

## **8. Do all entities need to provide Beneficial Ownership information to FinCEN?**

No. While all entities formed or registered to do business in DC must provide beneficial ownership information to DC's Corporations Division, FinCEN has defined certain companies as "[reporting companies](#)" and all reporting companies must file a BOI report with FinCEN.

A business is deemed a "reporting company" if it submits a formation or registration document with the secretary of state (or similar office) such as a corporation or LLC. If a business was not formed or registered by filing a document with the secretary of state (or similar office), such as a general partnership or a sole proprietorship, then it is not a reporting company.

Additionally, 23 types of entities are exempt from the beneficial ownership information reporting requirements, which include banks, credit unions and other certain large operating companies. The full list of exemptions can be found on [FinCEN's website](#).

## **9. How is my Beneficial Ownership information currently collected by DC?**

The collection of beneficial ownership information is built into DC's initial formation/registration process and into the BRA-25 biennial reporting process (which all entities must file periodically to stay in active status in the District).

If an entity's beneficial ownership changes in-between when a BRA-25 biennial report is due, entities should file an amendment to update this information.

## **10. I've reported my entity's Beneficial Ownership Information via a filing to DC's Corporations Division. Is it automatically provided to FinCEN?**

No. FinCEN requires that all entities who meet the definition of a [reporting company](#), file a FinCEN specific Beneficial Ownership Information Report, directly to FinCEN via [their website](#).

## **11. How do I submit a Beneficial Ownership Report to FinCEN?**

Beneficial Ownership Information Reports should be filed via [FinCEN](#).

Note that FinCEN does not send out unsolicited requests for this information. Beware of fraudulent attempts that ask you to click on a link or scan a QR code to file your beneficial ownership report. Only submit this information direct to FinCEN via their website.

A reporting company created or registered to do business before January 1, 2024, will have until January 1, 2025 to file its initial beneficial ownership information report.

A reporting company created or registered on or after January 1, 2024, will have 30 days to file its initial beneficial ownership information report.