

Corporate Transparency Act Compliance: A New Burden for Farmers and Small Businesses

As Jan. 1 approaches, over 230,000 farms and small businesses face an urgent deadline to comply with the Corporate Transparency Act (CTA). Passed in 2021, the CTA aims to curb money laundering and organized crime by requiring businesses to disclose their Beneficial Ownership Information (BOI) to the Treasury Department’s Financial Crimes Enforcement Network (FinCEN). With financial and legal risks for non-compliance, it’s essential that business owners understand the CTA’s requirements and deadlines.

The CTA requires nearly all U.S. registered businesses, including LLCs and corporations, to submit details on each beneficial owner — defined as anyone with at least 25% ownership or influence over the business. This includes personal details like addresses, birthdates and identification numbers, allowing FinCEN to monitor ownership structures in U.S. businesses.

The CTA affects a broad range of small businesses that organize as corporations or LLCs, even if they have modest revenues and few employees. Sole proprietorships are exempt, but most registered entities with fewer than 20 employees and less than \$5 million in annual revenue will need to comply.

Businesses formed before Jan. 1, 2024 have until Jan. 1, 2025 to file. Entities registered in 2024 must file within 90 days of registration, while newly formed entities after January 2025 will have 30 days to file. Any changes in ownership or control must be reported within 30 days, creating ongoing compliance obligations for small businesses.

The CTA impacts many small, family-owned farms and agricultural businesses. About 12% of U.S. farms — more than 230,000 operations — are structured as LLCs or corporations and fall under CTA requirements. This includes, not just farms, but rural supply chain businesses, such as grain elevators and feed stores, which must now meet the BOI filing requirements.

Awareness of the CTA requirements remains low, with only 16% of eligible businesses in Arkansas filing BOI reports as of late 2024. Non-compliance can result in fines up to \$10,000, additional daily penalties, and even felony charges with potential prison time. Small businesses must track and report any ownership or management changes to avoid these penalties.

For small entities, compliance can be costly and time-consuming. While filing is free, consulting a professional may be necessary,

Entity Type	Reporting Entity
LLC	Yes
SMLLC	Yes
General Partnership	No
Sole Proprietorship	Not unless corporation or LLC
Limited Partnership	Yes
S Corporation	Yes
C Corporation	Yes
Trust	Not unless required to file with Secretary of State, but trustees or beneficiaries may be beneficial owners of other reporting entities

adding financial strain on top of existing economic challenges. The CTA's separate reporting process, unrelated to state registrations, can also cause confusion.

With Congress yet to offer extensions or clarify CTA rules, small business owners should take proactive steps to comply:

- 1. Confirm Filing Requirements:** Consult advisors to verify the need to file and understand the reporting process.
- 2. Stay Informed:** Follow any updates from FinCEN regarding CTA compliance.
- 3. Update Information Promptly:** Track any changes in beneficial ownership or management and update filings within the required 30-day window.
- 4. Budget for Compliance Costs:** Plan for potential consulting fees to avoid penalties.

The Corporate Transparency Act represents a major regulatory change for small businesses, especially those in rural and agricultural sectors. The Jan. 1, 2025 deadline calls for proactive compliance efforts. Without timely action, the risks include financial penalties and operational disruptions. While Congress may eventually address concerns from small business advocates, it's crucial for farms and other entities to prepare now to meet the CTA's requirements.



See the Treasury Department's BOI filing page at <https://www.fincen.gov/boi>.



Learn more from The National Agricultural Law Center's webinar at <https://nationalaglawcenter.org/webinars/cta>.



Analysis by Tyler Oxner.

For more information, contact:

Tyler at (501) 228-1311, tyler.oxner@arfb.com.