

## Are There Exemptions?

The idea behind the Corporate Transparency Act is for government agencies to know who the owners of business entities are. There are many types of entities that the government already has that information because of other licensing and registration requirements. Because of that and other reasons the Corporate Transparency Act provides for some exemptions.

Nothing in the statute, regulations, guides or FAQs issued to date indicates that an entity must apply for an exemption. This means that exempt entities would simply not file the report.

The Corporate Transparency Act specifically excludes the following:

- Public Accounting Firms, registered under Sec. 102 of the Sarbanes-Oxley Act.
  - Most small and medium sized CPA firms are not registered and therefore are not exempt, including my firm.
- Large Operating Companies – must meet all three of the following conditions:
  - At least 20 full-time U.S. employees
    - A full-time is an employee who is employed an average of at least 30 hours per week. There is no full-time equivalency test applied.
    - Employee aggregation rules do not apply
  - With a U.S. physical office, and
  - That filed a federal income tax return in the prior year with more than \$5 million in U.S. gross receipts or sales.
- Inactive Entities
  - To be considered inactive an entity must meet all six of the following conditions:
    - In existence on or before January 1, 2020;
    - Not engaged in active business;
    - Not owned by a foreign person (directly, indirectly, wholly or partially);
    - Has not had any change in ownership in the last 12 months;
    - Has not sent or received any funds in an amount greater than \$1,000 in the preceding 12 months; and
    - Does not hold any kind or type of assets (domestically or abroad), including any ownership interest in any corporation, LLC, or similar entity.
  - To be safe you may want to consider closing any entities you have not been using. If you close the entity before January 1, 2025 it will not be required to report.
- Security Dealers or Brokers
- Investment Companies and Advisers registered with the SEC
- Venture Capital Fund Advisors that have filed specified schedules with the SEC
- Commodity Exchange Act registered entities
- Insurance Companies and state-licensed insurance providers
- Tax Exempt Organizations
- SEC Reporting Issuers
- Entities formed by and acting on the behalf of a government entity
- Banks, Credit Unions, Depository Institution Holding Companies, and Money-Transmitting businesses and
- Public Utilities