

Alert | Financial Regulatory & Compliance



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California Senate Passes State’s Version of Corporate Transparency Act

On Feb. 15, 2024, California Sen. Maria Elena Durazo (D-Los Angeles) introduced Senate Bill 1201 (SB 1201 or the Bill), which would impose new disclosure requirements on California companies. Amended May 16, 2024, the Bill passed in the Senate May 23, 2024.

If approved by the California Assembly before Aug. 31, 2024, and signed into law by Gov. Gavin Newsom, the Bill would require domestic and foreign corporations and limited liability companies (LLCs) doing business in California to publicly disclose beneficial ownership information (BOI) in periodic reports beginning Jan. 1, 2026.

Significantly, as discussed in this GT Alert, the Bill differs from the federal Corporate Transparency Act (CTA)¹ and its implementing regulations, which took effect Jan. 1, 2024, in that it would make BOI public. The CTA mandates that certain U.S. and foreign entities registered to do business in the United States report certain BOI to the U.S. Department of the Treasury’s Financial Crimes Enforcement Network (FinCEN).²

¹ The CTA was enacted as part of the Anti-Money Laundering Act of 2020 in the National Defense Authorization Act for Fiscal Year 2021. See 31 U.S.C. § 5336; 31 C.F.R. § 1010.380.

² GT covered the CTA in detail in this [GT Alert](#).

Current California Law

Currently, under California's General Corporation Law, corporations and LLCs organized under the laws of California or authorized to transact business in California must file, within 90 days after the filing of their original articles or registering to transact business in California, and periodically thereafter, a statement with the California Secretary of State (statement of information). While statements of information are publicly available, they currently contain minimal information about an entity's identity and about the individuals running the business.³

Changes Proposed Under SB 1201

If enacted, beginning Jan. 1, 2026, SB 1201 would require all corporations and LLCs organized under the laws of California or authorized to transact business in California to disclose BOI within 90 days after filing their original articles of organization or registering to transact business in California and biannually thereafter. In addition to the information currently required under the General Corporation Law, SB 1201 would require disclosure of the following information on each beneficial owner: name and complete business or residence address.

The Secretary of State would publish BOI as part of statements of information. SB 1201 also would authorize the California Secretary of State to raise the filing fees for entities filing statements of information. The Bill would prohibit the fee increases surpassing the reasonable cost of any regulatory activities necessary to implement the new BOI requirements.

Who Is a 'Beneficial Owner' Under SB 1201?

Like the CTA's definition, SB 1201 defines "beneficial owners" as natural persons who, directly or indirectly and through any contract arrangement, understanding, relationship, or otherwise, either of the following applies with respect to the business entity: (i) exercise substantial control over the entity; or (ii) own 25% or more of the equity interest in the entity. The Bill sets forth the same definition of "substantial control" as promulgated by FinCEN.⁴

Key Differences Between the CTA and SB 1201

Under SB 1201, BOI for in-scope companies would be published in a publicly available database. In contrast, the CTA limits access to BOI to certain governmental and supervisory entities.⁵ While there is no fee for submitting federal BOI reports to FinCEN, there are fees associated with filing statements of information in California, which as described above, would potentially increase under SB 1201. Finally,

³ That is, for a corporation, the (i) name and Secretary of State's file number; (ii) names and business or residence address of its incumbent directors, chief executive officer, secretary, and chief financial officer; and (iii) street address of its principal executive office, the mailing address, and, if the principal executive officer is not in California, the street address of its principal business in California, if any. For an LLC, the (i) name and Secretary of State's file number and, for a foreign LLC, the name under which the LLC is authorized to transact interstate business in California or other jurisdiction in which it is organized; (ii) name and street address of the agent designated for service of process; (iii) street address of the LLC's principal office and, if any, the street address of its principal office in California; and (iv) name and complete business or residential address (1) of any manager or managers and the chief executive officer, if any, or (2) if no manager has been so elected or appointed, of each member.

⁴ Under the CTA, an individual exercises "substantial control" over a reporting company if the individual (1) holds the position or exercises the authority of a president, chief financial officer, general counsel, chief executive officer, chief operating officer, or any other officer, regardless of official title, who performs a similar function at the reporting company (each a Senior Officer); (2) has authority over the appointment or removal of any senior officer or a majority of the board of directors (or similar body); (3) directs, determines, or has substantial influence over important decisions made by the reporting company; or (4) has any other form of substantial control over the reporting company.

⁵ GT covered the Access Rule in detail in this [GT Alert](#).

BOI filings under the CTA must be updated as ownership changes occur, but there is only an initial reporting requirement. However, filings under SB 1201 would need to be updated biannually.

Looking Forward

Uncertainty has surrounded the CTA since the U.S. District Court for the Northern District of Alabama⁶ declared the law unconstitutional on March 1, 2024. Importantly, the ruling enjoins FinCEN from enforcing the CTA *only against the plaintiffs* in *Nat'l Small Bus. United v. Yellen*.⁷ FinCEN has appealed the decision to the U.S. Court of Appeals for the Eleventh Circuit. At least two other lawsuits challenging the CTA have been filed in Michigan and Maine.

Impacted entities should consider monitoring developments in the appeal and related cases, as they may affect the legal landscape going forward. Pending any further developments, however, the CTA remains in effect for non-plaintiffs in *Nat'l Small Bus. United v. Yellen*.

Earlier this year, New York Gov. Kathy Hochul signed into law the New York LLC Transparency Act (NYLTA),⁸ which requires LLCs organized or authorized to do business in New York to disclose personal information about their beneficial owners. Other states may enact similar measures.

If SB 1201 is enacted in California, it would take effect Jan. 1, 2026. Affected entities should closely follow the Bill to prepare for compliance.

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⁶ GT covered the ruling in detail in this [GT Alert](#).

⁷ See *Nat'l Small Bus. United v. Yellen*, 5:22-CV-1448-LCB, 2024 U.S. Dist. LEXIS 36205, at *59 (N.D. Ala. Mar. 1, 2024).

⁸ GT covered the NYLTA in detail in this [GT Alert](#).

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