



# LEGAL DEVELOPMENTS IMPACTING TEXAS BUSINESS ENTITIES

Presented by  
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# Presentation Points

- Corporate Transparency Act (CTA) Compliance
- Texas Franchise Tax Amendments
- Use of Springing Members in Single-Member LLCs
- Updates to the Texas Business Organizations Code

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**CORPORATE  
TRANSPARENCY ACT  
COMPLIANCE**

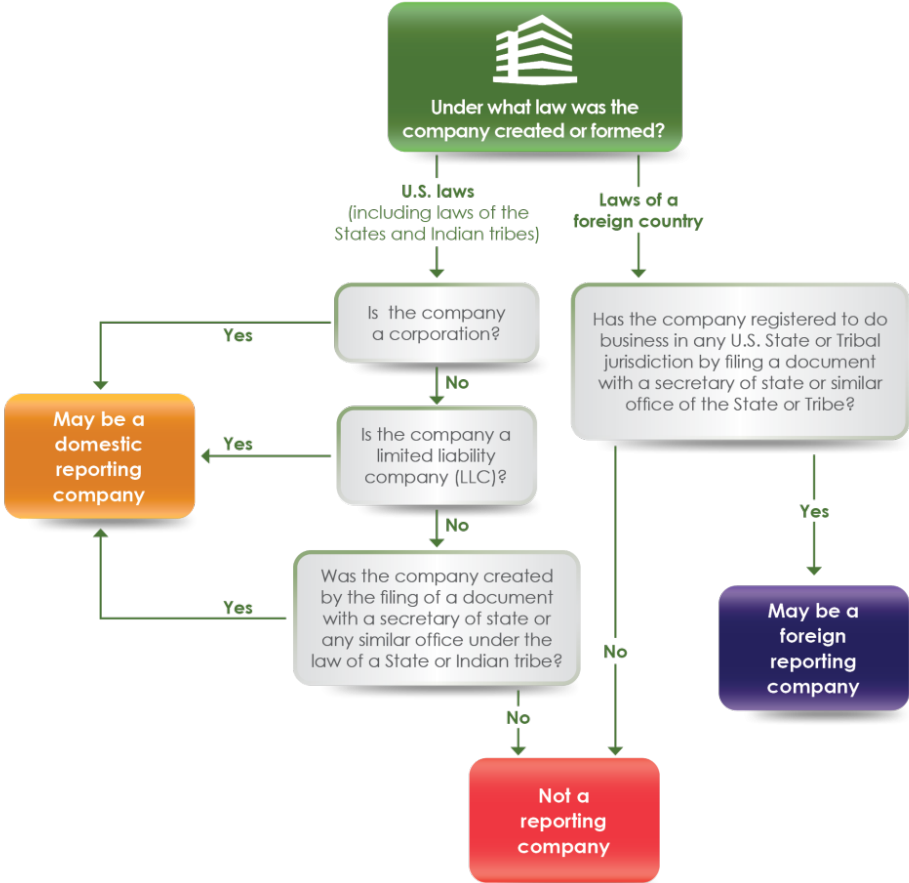
# CTA Compliance

- Origination
- Purpose
- Reporting Requirements
- Penalties
- When does it kick in? Who knows!
  - *Texas Top Cop Shop, Inc., et al. v. Garland, et al.*, No. 4:24-cv-00478 (E.D. Tex.)



# Reporting Companies Under the CTA

- Domestic
- Foreign





# 23 Categories of Exempt Entities

## Exempt entities include:

- Large operating companies
- Public companies
- Inactive entities
- Federally registered investment companies or advisers
- Banks & credit unions
- Securities brokers or dealers
- Insurance companies and producers
- Public accounting firms
- Tax-exempt entities
- Subsidiaries of certain exempt entities



# 23

Categories of  
Exempt Entities

## General Rule:

If you don't know  
whether you are exempt  
... you probably aren't.

# Who's Who in Beneficial Ownership Information Reporting

## REPORTING COMPANY

domestic or foreign company that meets the definition of “reporting company” under the CTA and is therefore subject to the reporting requirements

## COMPANY APPLICANT

an individual who directly files or is primarily responsible for the filing of the document that creates or registers the company

## BENEFICIAL OWNER

an individual who owns or controls at least 25 percent of a company OR has substantial control over the company



# Beneficial Ownership Information Reporting Requirements

A reporting company must disclose information about:

- Itself (the Reporting Company)
- Individual Beneficial Owners
- Company Applicants (for entities created or registered on or after the Effective Date)

## Reporting Company

- Full legal [name](#)
- Any [trade name](#) or "doing business as" (DBA) name
  - » Report all trade names or DBAs.
- Complete current U.S. [address](#)
  - » Report the address of the principal place of business in United States, or, if the reporting company's principal place of business is not in the United States, the primary location in the United States where the company conducts business.
- State, Tribal, or foreign [jurisdiction of formation](#)
- For a foreign reporting company only.** State or Tribal [jurisdiction of first registration](#)
- Internal Revenue Service (IRS) Taxpayer Identification Number ([TIN](#)) (including an Employer Identification Number (EIN))
  - » **If a foreign reporting company has not been issued a TIN**, report a tax identification number issued by a foreign jurisdiction and the name of such jurisdiction.

## Each Beneficial Owner and Company Applicant

Not all reporting companies are required to report information about company applicants. See Chapter 3 for assistance in identifying whether your company is required to report company applicant information.

- Full legal [name](#)
- [Date of birth](#)
- Complete current [address](#)
  - » Report the individual's residential street address, except for company applicants who form or register a company in the course of their business, such as paralegals. For such individuals, report the business street address. The address is not required to be in the United States.
- Unique identifying [number](#) and issuing [jurisdiction](#) from, and [image](#) of, **one** of the following non-expired documents:
  - » U.S. passport
  - » State driver's license
  - » Identification document issued by a state, local government, or tribe
  - » **If an individual does not have any of the previous documents**, foreign passport

# Beneficial Ownership Information Reporting Requirements

As to each **INDIVIDUAL BENEFICIAL OWNER** and **COMPANY APPLICANT**, a reporting company must disclose:

- Their full legal name.
- Their date of birth.
- Their complete current address.
- A unique identifying number.
- An image of the document with the unique identifying number.

# CTA Compliance

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# **TEXAS FRANCHISE TAX AMENDMENTS**

# Texas Franchise Tax Amendments

- Statutory Basis: Texas Tax Code, Chapter 171
- No Tax Due threshold: \$2,470,000
- No more “No Tax Due” reports
- Increased compensation limit
- Professional assistance is key!



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# **SPRINGING MEMBERS IN SINGLE-MEMBER LLCs**

# Use of Springing Members in Single-Member LLCs

- What are Springing Members?
- Statutory Authority
- Best Practices



# Example of Springing Member Provision

Springing Member. Upon the death or incapacity (as determined by a medical professional) of the Member, [Name of Springing Member], or if [Name of Springing Member] is unwilling or unable, the Member's legal representative (the "**Springing Member**"), is obligated to agree to continue the Company either for (i) the limited purposes of winding up the Company pursuant to Section 12(b) above, or (ii) to continue the Company's operations, as a member effective upon the Member's death.

[Upon the death or incapacity of the Member, the Membership Interests in the Company shall automatically be transferred to the Springing Member./Upon the death or incapacity of the Member, the Member's interest in management of the Company shall automatically be transferred to the Springing Member. The Member's equitable interest in the Company and all distributions to be made to the Member of the Company, shall be held by the Member's estate.]





**BUSINESS  
ORGANIZATIONS CODE  
UPDATES**

# Updates to the Texas Business Organizations Code

- Series LLCs
- Certificate of Formation requirements
- Indemnification
- Consents and future effective dates
- Texas Business Court



# CONCLUSION

# Thanks!

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