

## Anti-Money Laundering

May 24, 2024

### **Not Business as Usual: California's Extensive New Disclosure Bill**

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On May 23, 2024, the California Senate passed a bill that, if approved by the California Assembly before August 31, 2024, and signed into law by Gov. Gavin Newsom, would require U.S. and foreign entities doing business in California to publicly disclose their beneficial owners (SB-1201).<sup>1</sup>

Specifically, SB-1201, as currently written, would surpass the federal Corporate Transparency Act (CTA) requirements<sup>2</sup> and mandate that the beneficial ownership information for in-scope companies be published in a publicly available database. In an effort to fund the new regulatory framework, the secretary of state would be authorized to set and increase the filing fees associated with these mandated filings.<sup>3</sup> In a notably material deviation from the precedents established by the CTA and other similar state transparency laws, however, SB-1201 would not only require reporting on a biennial basis, as opposed to on an "amend as needed" basis,<sup>4</sup> but also exclude any concept of exemptions from such filing requirements—meaning that every company formed or doing business in California would be required to publicly disclose its beneficial owners.

SB-1201's purported aim is to target employers and landlords that use anonymous companies to evade California's worker protection and habitability laws.<sup>5</sup> Labor groups and housing advocates in support of the bill believe that it will allow state and local law enforcement to more efficiently prosecute bad actors and expose corporate entities buying up California real estate.

While in a prior [Client Alert](#) we discussed how companies can prepare for the CTA and in a subsequent [Client Alert](#) explained the CTA final rule and its requirements, it appears that there is a possibility that all California companies and foreign companies that are registered to do business in California will have to file and publicly report their beneficial ownership information, regardless of regulatory status or size.<sup>6</sup> Companies not otherwise required to report beneficial ownership information because they are exempt from the CTA would have to build out internal policies and procedures to make these disclosures, or decide to abstain from registering to do business in California or change their state of domicile, if SB-1201 is enacted as drafted.

While SB-1201 may not pass the California Assembly or be signed into the law by the governor, we still encourage our clients to become familiar with the proposal and its implications for their businesses. Notably, however, as currently written, the law would not go into effect until 2026. Lowenstein Sandler will be monitoring further developments to SB-1201 and other proposed state and local transparency laws. For any questions regarding this Client Alert or SB-1201, please contact the authors at [LSAMLT@lowenstein.com](mailto:LSAMLT@lowenstein.com).

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<sup>1</sup> See California Senate Bill 1201 – Beneficial Owners, amended as of May 16, 2024, available at [https://leginfo.ca.gov/faces/billTextClient.xhtml?bill\\_id=202320240SB1201](https://leginfo.ca.gov/faces/billTextClient.xhtml?bill_id=202320240SB1201).

<sup>2</sup> Beneficial Ownership Information Reporting Requirements, 31 C.F.R. 1010.380.

<sup>3</sup> California Senate Bill 1201 – Beneficial Owners.

<sup>4</sup> *Id.*

<sup>5</sup> See Senator Maria Elena Durazo Legislative Factsheet: LLC Owner Transparency, May 17, 2024.

<sup>6</sup> California Senate Bill 1201 – Beneficial Owners, amended as of May 16, 2024.

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