LEGAL UPDATES

PUBLISHED: APRIL 5, 2024

Fraud Alert: The CTA Form 4022 Scam

Services

Corporate

Corporate Transparency Act (CTA)

Professional

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Small business owners around the country have been receiving "Form 4022," a letter from the "United States Business Regulation Department" under the guise of enforcing the recently effective Corporate Transparency Act (CTA). These letters, which resemble an official IRS form, demand business owners pay a fee of $117 or be subject to severe penalties.

First and foremost, there is **no such thing as Form 4022 or a Business Regulation Department**, and there is **no filing fee** under the CTA. Do not complete and return these forms. By completing the requested information and submitting a check or money order, scammers may attempt to steal your identity or open a new line of credit in the name of your business—consequences that may be significantly worse than theft of $117.

Form 4022 claims to derive its authority from the CTA, a new law that went into effect January 1, 2024; however, the penalties for noncompliance as stated on the form do not match those in the CTA. The Form 4022 scam pressures recipients into prompt compliance by claiming that a failure to report by the enclosed filing deadline can result in civil penalties of up to $500 a day, plus an additional $10,000 fine and up to two years in prison. By comparison, the penalties under the CTA only trigger upon *willful* noncompliance. In other words, an individual who simply forgets to file would not be subject to penalty under the CTA, contrary to what the purveyors of Form 4022 may have you believe.

The newly effective CTA requires reporting companies to file a Beneficial Ownership Information Report (BOI Report) with the Financial Crimes Enforcement Network (FinCEN) and provide information on the reporting company's beneficial owners and company applicants. Reporting companies formed before January 1, 2024, have until January 1, 2025, to file their BOI

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Report, whereas reporting companies formed on or after January 1, 2024, have 90 days to file with FinCEN, or 30 days if formed on or after January 1, 2025.

Husch Blackwell has made available online a CTA Guide that defines key terms and concepts associated with the CTA, including which companies must report under the CTA, reporting exemptions, reporting timelines, penalties for noncompliance, and other vital information. We will continue to provide updates as the regulatory landscape surrounding the CTA unfolds.

Contact us

If you have questions regarding the CTA, please contact a member of Husch Blackwell's CTA team for assistance.

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