

New D.C. Law Will Require Disclosure of Ownership of LLCs

If you are considering forming a District of Columbia LLC, already have a District of Columbia LLC, or have an LLC that is doing business in the District of Columbia, a recently enacted law will require disclosure of certain owners and controlling parties of those LLCs to the Department of Consumer and Regulatory Affairs (DCRA). The provisions of the DCRA's Omnibus Amendment Act of 2018 (the Act) related to entity filings and biennial reports in the District of Columbia went into effect on January 1, 2020. The Act requires that new entity filings and biennial reports for existing entities (both District of Columbia entities and foreign entities doing business in the District of Columbia) include the name, state of residence, and business address of each person that either (a) has a 10 percent or greater ownership interest in the entity, or (b) controls or has the ability to direct day-to-day operations of the entity.

Below is the language of Section 29-102.01(a) of the Act that applies to new entity formations and is mirrored in Section 29-102.11(a) for biennial reports of existing entities and entities registering to do business in the District of Columbia:

(6) For entity filings made on or after January 1, 2020, the entity filing shall state the names and residence and business addresses of each person whose aggregate share of direct or indirect, legal or beneficial ownership of a governance or total distributional interest of the entity:

- (A) Exceeds 10 percent; and
- (B) Does not exceed 10 percent; provided, that the person:
 - (i) Controls the financial or operational decisions of such entity; or
 - (ii) Has the ability to direct the day-to-day operations of such entity.

Supporters of the legislation originally intended to "expose bad landlord[s] hiding behind an LLC." However, the Act now covers all LLCs (i.e., not just those owning residential real estate). It is unclear what unmasking LLC owners will accomplish from a liability perspective, but it is clear that the Act will be burdensome for businesses to implement and for DCRA to administer.

We will continue to update our clients as further guidance becomes available.



R. Alex DuFour, II

**Co-Chair, Real
Estate Finance**

adufour@cozen.com
Phone: (202) 304-1459
Fax: (202) 861-1905

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