



Corporate Transparency Act

ENSURING COMPLIANCE AND SECURITY

In an effort to combat money laundering and terrorist financing, the Corporate Transparency Act (CTA) of 2021 was passed by Congress to enhance reporting standards in the United States. The CTA mandates Reporting Companies to disclose Beneficial Owner Information (BOI) and Company Applicants. The Financial Crimes Enforcement Network (Fin-CEN), the regulatory agency overseeing this endeavor, has taken significant steps to enforce these regulations while ensuring confidentiality.

WHAT IS A REPORTING COMPANY?

A Reporting Company consists of almost all LLCs, Corporations (both C and S corps), Limited Partnerships, and other closely held entities. Exemptions from reporting include Large Operation Companies (more than 20 full time employees & more than \$5MM in revenue), non-profits, public accounting firms, banks, credit unions, broker dealers, insurance companies, and other regulated entities that already have reporting requirements.

WHO ARE BENEFICIAL OWNERS?

A Reporting Company must report all BOI who directly or indirectly exercise control over the Reporting Company or owns or controls more than 25% of the interests in the Reporting Company. The BOI can be reported directly by a reporting company, or the manager can report the individual's FinCEN ID.

An individual or many individuals can have substantial control over a company without any financial ownership. Senior officers within a company and others having the ability to direct important decisions including the removal of senior officers are considered Beneficial Owners.

WHEN DO CHANGES TO BENEFICIAL OWNERSHIP NEED TO BE REPORTED?

Reporting changes to BOI is not an annual filing. Rather, it is done on an as needed basis within 30 days of any change to the Reporting Company, the identity of BOI, or change in the information previously submitted. In the case of death, the deemed transfer will occur upon settlement of the estate.

PLANNING AND COMPLIANCE

Each company's BOI report will be submitted electronically through a filing system on FinCEN's website. If a person willfully fails to report complete or updated BOI to FinCEN, or willfully provides (or attempts to provide) false or fraudulent BOI, FinCEN may pursue civil penalties of up to \$500 for each day the violation continues or criminal penalties such as a fine of up to \$10,000 or two-years imprisonment.

When does FinCEN reporting of Beneficial Owners and Company Applicants start?

- All new companies formed after 1/1/2024 have 90 days after formation to file (reduced to 30 days after 1/1/2025)
- Existing entities need to be compliant by 12/31/2024

Applying for a personal FinCEN ID

- NOT required but doing so can simplify the reporting process
- A beneficial owner or company applicant's FinCEN ID can be reported instead of required information about that individual on the reporting company's BOI report
- <https://fincenid.fincen.gov/help>

Required Beneficial Owner and Company Information

- Individuals legal name, date of birth, personal address (no PO boxes), and unique identifying document number with image
- Companies full legal name (d.b.a name as well), the address of the principal place of business (no PO boxes), and EIN or TIN
- <https://boiefiling.fincen.gov/>

Additional Resources

- FinCEN's website offers additional resources through the following links:
- <https://www.fincen.gov/boi-faqs>
- <https://boiefiling.fincen.gov/help>