



# What you need to know

## What is the Beneficial Ownership Information Reporting?

In 2021, Congress enacted the Corporate Transparency Act (CTA). This law creates a Beneficial Ownership Information (BOI) reporting requirement as part of the U.S. government's efforts to make it harder for bad actors to hide or benefit from their ill-gotten gains through shell companies or other opaque ownership structures.

Beginning on January 1, 2024, many entities in the United States will have to report information about their **beneficial owners**, i.e., the individuals who ultimately own or control the company under the Corporate Transparency Act. They will have to report the information to the Financial Crimes Enforcement Network (FinCEN). FinCEN is a bureau of the U.S. Department of the Treasury.

[www.fincen.gov/boi](http://www.fincen.gov/boi)

## What entities are subject to the BOI reporting requirements?

Entities required to comply with the CTA ("Reporting Companies") include corporations, limited liability companies (LLCs), and other types of companies that are created by a filing with a Secretary of State ("SOS") or equivalent official. The CTA also applies to non-U.S. companies that register to do business in the U.S. through a filing with a SOS or equivalent official. Since the definition of a domestic entity under the CTA is extremely broad, additional entity types could be subject to CTA reporting requirements based on individual state law formation practices. FinCEN's Small Entity Compliance Guide has more information on who needs to report.

[https://t.ly/BOI\\_Small-Entity-Compliance-Guide](https://t.ly/BOI_Small-Entity-Compliance-Guide)

## Are there exceptions to the BOI reporting requirements?

There are a number of exceptions to who is required to file under the CTA. Many of the exceptions are entities already regulated by federal or state governments and as such already disclose their beneficial ownership information to governmental authorities.

Another notable exception is for "large operating companies" defined as companies that meet all of the following requirements:

- Employ at least 20 full-time employees in the U.S.
- Gross revenue (or sales) over \$5 million on the prior year's tax return
- An operating presence at a physical office in the U.S.

FinCen's Small Entity Compliance Guide has more information on these exceptions

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## How and when do I report?

Reporting companies will have to report beneficial ownership information electronically through FinCEN's website:

[www.fincen.gov/boi](http://www.fincen.gov/boi)

- The system will provide the filer with a confirmation of receipt once a completed report is filed with FinCEN.

Reports will be accepted starting on January 1, 2024.

- If your company was created or registered prior to January 1, 2024, you will have until January 1, 2025 to report BOI.
- If your company is created or registered on or after January 1, 2024, you must report BOI within 90 days of notice of creation or registration.
- Any updates or corrections to beneficial ownership information that you previously filed with FinCEN must be submitted within 30 days. FinCEN cannot accept reports before January 1, 2024.

## What happens if my company does not report BOI in the required timeframe?

The willful failure to report complete or updated beneficial ownership information to FinCEN, or the willful provision of or attempt to provide false or fraudulent beneficial ownership information may result in a civil or criminal penalties, including civil penalties of up to \$500 for each day that the violation continues, or criminal penalties including imprisonment for up to two years and/or a fine of up to \$10,000. Senior officers of an entity that fails to file a required BOI report may be held accountable for that failure.

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## Take Immediate Action Now!

As the CTA is not a part of the tax code, the assessment and application of many of the requirements set forth in the regulations, including but not limited to the determination of beneficial ownership interest, necessitate the need for legal guidance and direction. As such, since we are not attorneys, our firm is not able to provide you with any legal determination as to whether an exemption applies to the nature of your entity or whether legal relationships constitute beneficial ownership. We strongly encourage you to reach out as soon as possible to legal counsel with expertise in this area to assist your organization with the steps you need to take to ensure compliance with the CTA, if applicable.

Go to: <https://www.fincen.gov/boi-faqs> for answers to frequently asked questions