



Attention All Corporations, LLCs, and Partnerships

Action Required: NEW Corporate Transparency Act

Passed within the National Defense Authorization Act for Fiscal Year 2021, the Corporate Transparency Act became effective on January 1, 2024. The Corporate Transparency Act requires reporting companies to file informational reports with the Treasury Department's Financial Crimes Enforcement Network ("FinCEN"), disclosing information related to the company and its owners and principals (Beneficial Ownership Information, or BOI). The new law focuses on smaller, closely held organizations.

Why?

This act is intended to close a perceived gap relating criminal activity such as money laundering, terrorist financing, and tax evasion through the misuse of legal entities such as corporations, partnerships and trusts. This act aims to show authorities who are the natural persons behind these entities, enabling law enforcement to follow the money. Unfortunately, about 32 million legitimate entities are caught up in this net.

Who?

Reporting Companies include domestic and foreign Corporations, Limited Liability Companies, Limited Partnerships, LLPs, professional corporations, and other entities created by filing of a document with the secretary of state or a similar office.

Exemptions:

The law includes 23 exemptions, mostly related to specific industries which are already highly regulated (such as banking, investment companies and certain charitable organizations). Broader exemptions include:

- Publicly traded companies
- Large operating companies (> 20 full time employees, in US, which filed federal tax returns showing > \$5m of gross receipts and have a physical office in the US)
- Inactive entities that meet specific requirements (in existence for over a year, not owned by a foreign person, no change in ownership, holds no assets, and had receipts or disbursements < \$1,000 in the past 12 months)
- Certain subsidiaries controlled or wholly owned by an exempt reporting company (ex: Subsidiary of a company qualifying for the large operating company exemption)

See the law for details and additional exemptions.

What?

The following information about the company and its beneficial owners (the ultimate human beings, not layered entity owners) who directly or indirectly own or control at least 25% ownership interest of the reporting company

- Full legal name
- Date of Birth
- Current residential address
- Unique identifying number (such as driver's license or passport)
- A copy of the document with the unique identifying number

When?

Existing reporting companies have until December 31, 2024 to file their initial report. Entities created on or after 1/1/24 have 90 days from creation to comply. Changes (such as change of residence of an owner, or change in ownership) must be reported within 30 days of the change, as must companies who cease to qualify for an exemption.

Where and How?

Information must be submitted electronically through an online portal at: <https://www.fincen.gov/boi> The filing process takes approximately 15 minutes. Once the initial report is filed, annual reports are not required. Reports must be updated only when there is a change to the initial report, such as a change in owner or company addresses or a change in ownership.

Violations:

Willful violations for failure to comply carry a civil penalty of \$500 per day, up to \$10,000, and up to two years of imprisonment. That is, *file the form!*

Access:

The Corporate Transparency Act includes strict confidentiality and restrictions regarding who has access to this information. We invite you to read articles regarding the Corporate Transparency Act to learn who has access to the information and under what circumstances.

What Do You Need to Do Now?

- (1) Understand the law
- (2) Determine if your company qualifies as a reporting entity
- (3) File your initial report—we advise you not to wait until the end of the year
- (4) Establish a method of record-keeping to ensure all company and ownership information changes are timely reported and information reported remains up to date
- (5) You will not receive a notice or reminder from the Department of Treasury to file this report, and compliance is not optional

Questions?

Where to learn additional information:

- Small Business Compliance Guide: https://www.fincen.gov/sites/default/files/shared/BOI_Small_Compliance_Guide_FINAL_Sept_508C.pdf
- FAQ: <https://www.fincen.gov/boi-faqs>
- Google “Corporate Transparency Act” to search for an article from a respected law firm

Should you have further questions, please contact your legal advisors. This is not an income tax filing and at this point, our firm is not including Corporate Transparency Act filing within our service offerings.