

DOES THE CORPORATE TRANSPARENCY ACT AFFECT YOU?

What is the Corporate Transparency Act? In 2021, Congress enacted the Corporate Transparency Act (CTA) to deter illegal activities, such as money laundering and other financial crimes. Toward that end, the CTA requires defined “reporting companies” to file beneficial ownership interest (BOI) reports with the Financial Crimes Enforcement Network (FinCEN), being an arm of the United States Department of Treasury.

What is a Reporting Company? Generally, any entity that was formed through the filing of a certificate or articles with a State’s Secretary of State. Examples: limited liability companies, limited partnerships, and corporations.

Who is responsible for filing the BOI report? The Reporting Company.

Are all defined Reporting Companies required to file a BOI reports? No. There are 23 exemptions. Examples of exempt reporting companies: publicly traded companies, nonprofits, banks, and public accounting firms.

What information is included in the BOI report? The BOI report must include information related to the defined Beneficial Owners of the entity along with the entity itself, including names, addresses, and tax identification numbers.

Who is a Beneficial Owner? Beneficial Owners fall into two categories: (1) persons who directly or indirectly exercise substantial control over the reporting company and (2) persons who own or control at least 25% of the reporting company’s ownership interest. Examples of category one: managers of limited liability companies and corporate officers. Examples of category two: owner of 25% of the membership interest in a limited liability company or stock in a corporation.

What if the Reporting Company is owned at least in part by a trust or estate? If the trust/estate owns at least 25% of the reporting company, information related to the trustee/executor, trust protectors, if any, and beneficiaries could be included in the definition of Beneficial Owner.

When is the deadline to file the initial BOI report? It depends on the date of formation of the Reporting Company.

- **Formed Prior to January 1, 2024:** If the reporting company was formed prior to January 1, 2024, the initial BOI report is due on or before December 31, 2024.
- **Formed between January 1, 2024 and December 31, 2024:** If the Reporting Company is formed between January 1, 2024 and December 31, 2024, the Reporting Company has 90 days to file the initial BOI report. These entities must also include information for the defined “Applicants” for the entity.
- **Formed on or after January 1, 2025.** If the Reporting Company is formed on or after January 1, 2025, the BOI report is due within 30 days of formation. Information regarding the defined “Applicants” is also required in the report.

What if information provided on the BOI report changes? The Reporting Company has 30 days to update the information with FinCEN.

Who is included as an “Applicant” for the BOI report? An Applicant is defined as an individual that forms the Reporting Company. A maximum of two Applicants are required on the BOI report, if applicable. Example of Applicants: Attorneys, paralegals, or other individuals involved in the filing of Articles or Certificates with a State’s Secretary of State to form the Reporting Company.

What’s the harm in non-compliance? Fines range from \$500 a day to \$10,000 and up to two years of imprisonment.

What are my options if a Reporting Company requests my personal information for its BOI report? Provide the information requested or provide them with your FinCEN Identifier. FinCEN’s website provides an easy online application. After you receive your unique FinCEN Identifier, you will be responsible for updating your personal information with FinCEN directly instead of providing the information to the Reporting Company.

Where can I find more information? Additional information can be found on FinCEN’s website (<https://www.fincen.gov/boi>).

Can Barnes, Bailey & Janoush, PA (BBJ) assist me in complying with the CTA? Yes. BBJ can be engaged to assist you in determining if your entity is a Reporting Company and if that Reporting Company is exempt from the BOI reporting requirements. If the Reporting Company is not exempt, BBJ can assist in identifying the beneficial owners. BBJ will assist in filing the BOI reports with FinCEN on a case-by-case basis.

What else should I know? Be mindful of scams. If in doubt, contact your trusted advisors.

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