

Major heads-up to small business owners! The Corporate Transparency Act (CTA) relating to beneficial ownership information (BOI) is scheduled to go into effect January 1, 2024. CTA is designed to improve business transparency by reporting on the BOI of smaller businesses. This was enacted as a reporting requirement for an anti-money laundering initiative, established to help combat crime.

The Financial Crimes Enforcement Network (FinCEN) will administer the CTA. They want companies registered on their database to track who owns, controls and is a decision maker of a business. The database is a non-public database accessible to law enforcement. More information at: <https://www.fincen.gov/boi-faqs>

Who needs to file?

A required reporting company is a domestic or foreign company that is a corporation, LLC or any entity created by filing a document with a secretary of state. There is a list of 23 specific entities who are exempt including banks, governmental authority, etc.

Who are beneficial owners?

The criteria for this is anyone who exercises substantial control of the company or has at least a 25% ownership interest. An individual could be a beneficial owner through substantial control, ownership percentage or both. Companies can also have more than one beneficial owner. General criteria for substantial control is 1) Any and all Senior Officers, 2) Authority to appoint/remove senior officers, 3) An important decision-maker, and 4) If an individual has any other form of substantial control over the reporting company.

What does a BOI need to report?

Full legal name, date of birth, address, unique identifying number i.e., US Passport, State Driver's License.

What is a company applicant and what information is required of them?

A company applicant must be an individual who is a "direct filer" or "directs or controls the filing action" of the reporting information. There can be up to two applicants but not more than that. A direct filer is the individual who directly files the documents required. The other possible company applicant is the individual who is primarily responsible for direction or controlling the filing. A company is required to report its applicant if it was created on or after January 1, 2024. Applicants will have to report their full legal name, business name, address, state jurisdiction, a unique identifying number and an image of an ID document.

When do I need to file and how do I file?

Existing companies created before January 1, 2024, have one year to file. Any entities created after that date have 30 days to file. Taxpayers can file on the FinCEN website once it is up and running. After the initial filing, any changes must be made within 90 days of the change.

Still not a great deal of guidance, but the penalties are steep for non-filing, \$500 to \$10,000 and jail time.

This article is intended for educational purposes only and should not be relied upon as tax or legal advice.

**FROM THE FINANCIAL CRIMES ENFORCEMENT NETWORK
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