

WHAT TO KNOW ABOUT THE

## Corporate Transparency Act



As you may have heard from various financial news sources, in January 2024, a new federal reporting regime known as the Corporate Transparency Act came into effect. The Corporate Transparency Act requires mandatory reporting of beneficial ownership and control for certain small businesses to the Financial Crimes Enforcement Network (FinCEN) of the U.S. Department of the Treasury. By requiring and enforcing this disclosure, FinCEN aims to improve its visibility into private companies and thereby battle money laundering, tax evasion, and other financial crimes.

As described on FinCEN's website ([www.fincen.gov/boi](http://www.fincen.gov/boi)), those businesses established before 2024, and who are in scope of the federal regulations, must file by January 1, 2025. Failure to timely register can result in civil penalties and fines of \$500 per day (up to \$10,000) and criminal penalties including up to two years of imprisonment.

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### Additional Support

As described on FinCEN's website there are specific types of entities that are required to file their Beneficial Ownership Information (BOI). These include:

- Domestic corporations
- LLCs
- Other entities formed by filing documents with a state or tribal office
- Foreign entities registered to do business in the U.S.

Please note that some entities may fall out of the reporting scope because they qualify for one of the several complicated exceptions. Please consult with your own legal counsel to determine the proper scope for reporting or eligibility for an exception.

## What are the Beneficial Ownership Information Reporting Deadlines?

- For qualifying reporting companies established before January 2024, the filing deadline is January 1, 2025.
- Those qualifying reporting companies created between January 1, 2024, and January 1, 2025, have 90 days to file from either the actual notice of formation or public announcement, whichever is earlier.<sup>1</sup>
- For businesses established on or after January 1, 2025, they will have 30 days from notification or public announcement of their formation to submit their first BOI report to FinCEN.
- The Corporate Transparency Act also provides that qualifying reporting companies must submit any corrections or updates to previously filed information within 30 days of the change.

## What Information is Needed to Register?

As described on FinCEN's website there are specific types of information that must be reported including:

- Name, address, Tax Identification Number (EIN) of the business entity
- Name, address, Social Security number, and date of birth of all beneficial owners which includes those equity direct and indirect equity owners holding 25% or more of the equity interests and those individuals who fall into the "substantial control" test (e.g., officers and those who have either appointment or removal authority or important decision making authority)(Please consult your own legal counsel to review these tests).
- A copy of each Beneficial Owner's U.S. state-issued driver's license or U.S. passport (e.g. a PNG file).

To ease this reporting process, FinCEN suggests (but does not require) that each reporting person (i.e. beneficial owner or person with substantial control) obtain their own FinCEN ID, which is their distinct identifier.

<sup>1</sup>Fraraccio, M. (2024, October 21). Corporate Transparency Act — what you need to know. CO- by US Chamber of Commerce. <https://www.uschamber.com/co/start/strategy/small-business-corporate-transparency-act>

**Given the complexities of this law, we strongly recommend you seek legal assistance to ensure accurate and timely reporting. Please refer to FinCEN's filing instructions for detailed guidance.**

**While we cannot provide you with legal advice, and this notice is simply to raise awareness, please reach out to us if you have other business-related financial questions. We are here to assist you.**

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