

## Important Actions for Businesses and Entities Affected by the New Corporate Transparency Act



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### **Entities and Individuals Required to File a Report:**

Effective January 1, 2024, the Corporate Transparency Act ( **CTA**) now requires a significant number of foreign and domestic businesses and entities in the United States to report information on their businesses, owners, senior officers, and key decision-makers.

The Department of the Treasury's Financial Crimes Enforcement Network ( **FinCEN**) is charged with implementing the CTA's reporting system. Organizations must disclose relevant information via a secured electronic portal set up by FinCEN.

With certain exemptions to the reporting requirements identified by the CTA, any domestic entity created by the filing of charters or other incorporating documents with a secretary of state or similar office is deemed to be a reporting company (**Reporting Companies**). Note, most small and closely held entities will likely be categorized as

reporting companies. The other two categories of required reporters are individuals that are: (a) the “**Beneficial Owners**” of the Reporting Company which is an individual that either has substantial managerial control over a Reporting Company, or directly or indirectly owns over 25% of the ownership interests of a Reporting Company, and (b) for Reporting Companies created on or after January 1, 2024, the “**Company Applicants**” of the Reporting Company which is an individual who directly files the document that creates or registers the Reporting Company, or any individual who is primarily responsible for directing or controlling the filing of such document.

## Exemptions:

As businesses in many different industries are already required to provide similar information to the federal government, through other regulations FinCEN has provided a list of 23 exemptions that would exempt certain entities from reporting under the CTA. Some of the more common exemptions to note are: (1) a business who has over 20 full-time employees employed in the US, gross sales of over \$5,000,000, and an operating presence at a physical office in the US; (2) securities reporting issuer; (3) tax-exempt entities; (4) subsidiaries of certain exempt entities; and (5) inactive entities.

## BOI Reports:

Reporting Companies must be aware of reporting deadlines to file a beneficial ownership information report ( **BOI Report**) to ensure compliance with the CTA. There are certain filing deadlines Reporting Companies should be aware of:

- Existing Reporting Companies formed prior to January 1, 2024, will have until January 1, 2025, to file their BOI Report.
- Reporting Companies formed between January 1, 2024, and December 31, 2024, will be required to file their BOI Report within 90 days after the effective date of formation.
- Reporting Companies formed on or after January 1, 2025, will be required to file their BOI Report within 30 days after the effective date of formation.
- Reporting Companies are also required to file reports of changes to previously filed BOI Reports with 30 days for purposes of curing previously filed inaccurate information.
- For any changes as to the information provided by a Reporting Company or its Beneficial Owners, the CTA requires that such changes must be recorded within 30 days. For example, if a Reporting Company’s ownership changes due to an acquisition, merger, or business succession, that change must be reported within 30 days of the occurrence.

BOI Reports need to be filed with FinCEN on its BOI-E Filing System: <https://boiefiling.fincen.gov/>

## Information Reported:

A BOI Report is required to include information as follows:

- Reporting Companies must provide its: (a) full legal name and any trade or d/b/a names; (b) address; (c) jurisdiction; and (d) IRS TIN or EIN, or similar tax identification number for a foreign reporting company.
- Beneficial Owners must provide the following information: (a) full name; (b) date of birth; (c) home address; and (d) a driver’s license, passport, or other government-issued identification document.

- Company Applicants are required to provide the same information as Beneficial Owners except a business address may be used in certain circumstances.
- An individual may, following its reporting of the necessary information to FinCEN, obtain a FinCEN Identifier, which can then be used for future reporting.

## Consequences of Noncompliance:

The consequences of noncompliance with the CTA's reporting requirements for businesses and business owners will range from civil fines of \$500 per day (up to \$10,000), and certain criminal penalties. The CTA also imposes liability for the failure to correct inaccuracies in reporting and for failing to provide updated reporting information based on changes to a Reporting Company's ownership or management.

## Plan for Reporting:

Resources are provided by FinCEN at <https://www.fincen.gov/boi>. Lippes Mathias is prepared to guide our clients through these new changes and offer tailored advice suited to each client's needs. For more guidance, please reach out to Lippes Mathias corporate team leaders Brendan J. Rich ([brich@lippes.com](mailto:brich@lippes.com)) and Christian M. Lovelace ([clovelace@lippes.com](mailto:clovelace@lippes.com)). You may also contact our dedicated BOI Team to begin the reporting process by emailing [boi@lippes.com](mailto:boi@lippes.com).

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