



Corporate Transparency Act – Beneficial Ownership Information Reporting Requirements Have Become Effective in 2024
February 2024



Nicole M. Danner, Esq.
ndanner@wispearl.com



Jason J. Herron, Esq.
jherron@wispearl.com

Summary: In an effort to curtail money laundering, tax fraud, and other illicit activities, Congress has enacted the Corporate Transparency Act (CTA). Under the CTA, many U.S. companies are now subject to new beneficial ownership information (BOI) reporting requirements, beginning on January 1, 2024.

Who this applies to: Companies that fall within the CTA’s definition of a “reporting company” and that do not qualify for an exemption. A reporting company is broadly defined as, and includes: (1) U.S. corporations, limited liability companies, or other similar entities which are created by filing a document with a secretary of state or similar office, or (2) a foreign company registered to do business in any U.S. state or Indian tribe by such a filing.

The CTA applies to all reporting companies, even those created before January 1, 2024.

The CTA contains twenty-three exemptions from the reporting requirements; however, these exemptions apply primarily to publicly traded companies, and other businesses which operate in highly regulated industries (e.g. banks, credit unions, insurance companies, tax exempts, and certain large operating companies).

What to do now: Companies must determine whether they are a “reporting company”. If they are, they must report their beneficial ownership information to the Financial Crimes Enforcement Network (FinCEN), which is a bureau of the United States Department of Treasury. Companies can determine whether they are a reporting company by visiting: <https://www.fincen.gov/boi>. The reports must be filed electronically on FinCEN’s website.

Companies that do not fall within one of the listed exemptions must file a report with FinCEN disclosing information about both the entity (e.g., full legal name, trade name (d/b/a), complete

current address, jurisdiction of formation, taxpayer identification number, etc.) and its beneficial owners (e.g., full legal name, date of birth, personal address, unique identifying number, and image of a US passport, state driver's license, or other state issued identification). A beneficial owner is any individual who either (1) exercises substantial control over the company, or (2) who owns or controls at least 25% of the company. For companies formed after January 1, 2024, the report must also include the same information on its "company applicant", who is the individual who files the document that creates the reporting company with the applicable secretary of state.

This report must be filed with FinCEN by the following reporting deadlines:

- Companies created/registered **prior to January 1, 2024** must file by January 1, 2025.
- Companies created/registered **after January 1, 2024 (and before January 1, 2025)** must file within 90 calendar days of its creation/registration date.
- Companies created/registered **after January 1, 2025**, must file within 30 calendar days its creation/registration date.

Additionally, companies must report changes in beneficial ownership within 30 days of the change. Examples of reportable changes include changes to information reported for the company (e.g., registering a new business name), changes in beneficial ownership, and changes to a beneficial owner's personal information (e.g. name, address, identifying document number).

The BOI reports will not be publicly available. However, FinCEN is authorized to disclose BOI to a limited group of government agencies, which includes: (1) federal agencies engaged in national security, intelligence and law enforcement, (2) state law enforcement agencies with a court order, (3) the U.S. Treasury Department, (4) financial institutions if consented do by the reporting company, (5) government regulators of financial institutions, and (6) certain foreign authorities making a request through a U.S. government agency.

Any person that willfully (1) fails to file a required BOI report, (2) files false information on a BOI report, or (3) fails to correct or update previously reported BOI, may be subject to civil penalties of \$500 each day of violation, and criminal penalties of up to two years of imprisonment and a fine up to \$10,000. If a reporting company believes it filed a BOI report that contains inaccurate information, and it voluntarily submits a report correcting it within 90 days of the deadline for the original report, then the CTA creates a safe harbor from penalty.

If you have questions or need assistance complying with these new BOI reporting requirements, please contact a member of Wisler Pearlstine's Business, Corporate and Tax Practice Group.

About the Authors:

Nicole M. Danner is an associate with Wisler Pearlstine and a member of the firm's Business, Corporate, and Tax and Data Privacy and Cybersecurity practice groups. She focuses her practice in the areas of commercial contracting, data privacy and security, corporate governance, emerging regulatory issues and risk avoidance, and other general business needs. Ms. Danner advises and counsels entrepreneurs and businesses of diverse industries in a range of matters encountered in day-to-day operations.

Jason J. Herron is a partner with Wisler Pearlstine and a member of the firm's Business, Corporate, and Tax and Real Estate, Zoning, and Land Development practice groups. Mr. Herron acts as outside general counsel to various closely held business entities, assisting with their daily legal and business advisory needs. He also represents financial institutions, private individuals and entities, and government entities in a wide variety of complex

commercial transactions and financial matters.

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