

ARE YOU READY FOR THE NEW BENEFICIAL OWNERSHIP INTEREST (BOI) REPORTING REQUIREMENTS?



Beginning January 1, 2024, the new [Beneficial Ownership Interest](#) (BOI) reporting requirements set forth by the [Corporate Transparency Act](#) (CTA) come into play. These requirements mandate certain companies operating in the United States to report information about who owns or controls them. It's important to note that this isn't part of the tax rules; instead, it's about disclosing ownership details to the Financial Crimes Enforcement Network (FinCEN), not the IRS.

What is Beneficial Ownership Information (BOI) Reporting?

BOI reporting aims to create a national database to prevent the misuse of shell companies for criminal activities such as money laundering and terrorism financing. The new reporting requirements target both domestic and foreign companies created or registered to do business in the U.S. by filing documents with the Secretary of State or similar offices.

Who is a Beneficial Owner?

A beneficial owner is someone who controls or owns at least 25% of the company or has substantial control over it. This can include senior officers, even if they don't own part of the company.

Eligibility

- Entities organized both inside and outside the U.S. may be subject to the new reporting requirements.
- Reporting requirements apply to various entities formed through the Secretary of State or any similar office under the law of a state or Indian tribe, including corporations (including S corporations), Limited Liability Partnership, Limited Liability Companies (LLCs), and other entities.
- Sole proprietorships, trusts and general partnerships generally do not fall under the reporting requirement.

Important Filing Dates and Penalties

The reporting timeframe depends on when an entity is registered/formed or if there is a change to the beneficial owner's information.

- New entities from 2024 to 2025 must file within 90 days after forming.
- New entities from 2025 onwards must file within 30 days of forming.
- Existing entities before 2024 must file no later than January 1, 2025.
- Reporting companies with changes to previously reported information or discovering inaccuracies in previously filed reports must file within 30 days of the change.

Failure to file reports in a timely manner can result in significant penalties, including fines and imprisonment.

Exemptions

There are 23 categories of exemptions, including:

- Publicly traded companies
- Banks and credit unions
- Securities brokers/dealers
- Public accounting firms
- Tax-exempt entities
- Certain inactive entities, among others.

View the list of exemptions here: <https://www.fincen.gov/boi-faqs>.

Note that these exemptions are not universal and many regulated entities already disclose BOI to government authorities. Additionally, certain “large operating entities” are exempt from filing. To qualify for this exemption, the company must:

- Employ more than 20 full-time employees in the U.S., and
- Is physically present within the United States, and
- Has reported gross revenue (or sales) exceeding \$5M on the prior year's tax return. This excludes gross receipts or sales from sources outside the U.S.

What Information Needs to be Reported?

Reporting companies must provide BOI for beneficial owners and, for entities formed or registered after 2023, company applicants. The reporting company must indicate the type of report being submitted (initial report, correction of a prior report or update to a prior report).

- The legal name of the company and any trade/DBA used by the company.
- Full legal names, birthdates, street addresses/locations and unique ID numbers.
- FinCEN Identifiers (FinCEN IDs) can be obtained to simplify reporting processes.

The law only requires an initial report, updated report (when necessary) and a corrected report (when necessary) to be filed. There is no annual filing requirement.

How to File

- BOI reports must be filed electronically through FinCEN's e-filing portal, available at <https://boiefiling.fincen.gov/>.
- Third-party service providers may also offer filing options.
- There is no fee for submitting the BOI report to FinCEN.

FinCEN indicates that a submission receipt with the reporting companies FinCEN

Identifier, if requested, will be provided at the time of filing as evidence of reporting.

Resources

Refer to FinCEN's Small Entity Compliance Guide and FAQs available at <https://www.fincen.gov/boi/small-business-resources>.

Penalties

It's essential to follow the reporting requirements carefully. The Corporate Transparency Act provides that willfully reporting or attempting to report false or fraudulent beneficial ownership or willfully failing to report or make updates to the reported data shall be punished with a civil penalty of up to \$500 for each day that the violation continues, or criminal penalties, including imprisonment for up to two years and/or a fine of up to \$10,000.

Understanding these rules is vital for your business. We strongly recommend reaching out to your legal counsel for additional guidance on these reporting requirements.