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## Corporate Transparency Act's Beneficial Ownership Information Reporting

A new reporting requirement goes into effect on January 1, 2024, that will require small businesses to file a Beneficial Ownership Information Report (BOI Report) with the Financial Crimes Enforcement Network (FinCEN) of the United States Department of Treasury. This new BOI reporting requirement was enacted on January 1, 2021, as part of the federal Corporate Transparency Act (CTA). Congress passed this anti-money laundering federal legislation because it believed that the collection of beneficial ownership information was necessary to protect national interests and better support enforcement efforts. As explained below, companies subject to the BOI reporting requirement that are in existence before January 1, 2024 must file its initial BOI report no later than January 1, 2025.

The initial BOI report and all updates and corrections will be filed electronically with FinCEN through a system that will be available through [FinCEN.gov/BOI](https://fincen.gov/BOI). FinCEN anticipates that it will begin to accept BOI reports starting on January 1, 2024.

### Who must file a BOI report?

Every "domestic reporting company" and "foreign reporting company" must file a BOI report. A "domestic reporting company" is a corporation, limited liability company (LLC), or any entity created by the filing of a document with a secretary of state or any similar office under the law of a state or Indian tribe. A "foreign reporting company" is a corporation, LLC, or other entity formed under the law of a foreign country that is registered to do business in any state or tribal jurisdiction by the filing of a document with a secretary of state or any similar office.

### Which entities are exempt from filing a BOI report?

There are 23 categories of entities that are exempt, including publicly traded companies, entities that file reports with the Securities and Exchange Commission, banks, credit unions, money services businesses, securities brokers and dealers, pooled investment vehicles, tax-exempt entities, insurance companies, state-licensed insurance producers, public utilities, trusts that did not file a registration document, and accounting firms.

An exemption also exists for a "large operating company" which is defined as an entity that: (1) employs more than 20 full-time employees in the U.S.; (2) has an operating presence at a physical office within the U.S.; and (3) has filed a federal income tax or information returns in the U.S. for the previous year demonstrating more than \$5 million in gross receipts or sales.

## When does the initial BOI report have to be filed?

A domestic reporting company in existence before January 1, 2024 must file its initial BOI report no later than January 1, 2025. A domestic reporting company created on or after January 1, 2024 must file a report within 30 calendar days of the date on which it receives actual or public notice that its creation has become effective.

A foreign reporting company that was registered to do business in the U.S. before January 1, 2024, must file its BOI report by January 1, 2025. For a foreign reporting company that is registered to do business in the U.S. on or after January 1, 2024, the BOI report must be filed within 30 days after it receives notice that its registration is effective.

## What information must be reported by a domestic reporting company?

A domestic reporting company created before January 1, 2024, has to provide information about the company and about its beneficial owners. A domestic reporting company created on or after January 1, 2024, must provide information about the company, its beneficial owners, and its company applicants.

The BOI report must include the reporting company's: (1) full legal name; (2) any trade or "doing business as" names; (3) full current street address of the principal place of business; (4) jurisdiction of formation; and (5) taxpayer identification number.

## What information about a beneficial owner or company applicants must be reported?

A beneficial owner includes any individual who, directly or indirectly, either: (1) exercises substantial control over a reporting company; or (2) owns or controls at least 25 percent of the ownership interests of a reporting company.

A company applicant is any individual who: (1) directly files the document that creates, or first registers, the reporting company (for a domestic reporting company) or directly files the document that first registers the reporting company to do business in the U.S. (for a foreign reporting company); and (2) is primarily responsible for directing or controlling the filing of the relevant document if more than one individual is involved in the filing of the document (for both foreign and domestic reporting companies). Thus, a company applicant could include third-party professionals, such as accountants and lawyers, who fall under one of these provisions.

For each beneficial owner or company applicant the following information must be reported:

1. Full legal name;
2. Date of birth;
3. Complete current residential street address (except in the case of a company applicant who forms or registers an entity in the course of the company applicant's business, who has to provide the street address of the business);
4. Unique identifying number and the issuing jurisdiction from either a current: U.S. passport; state or local ID document; driver's license; or if the individual has none of those, a foreign passport; and
5. An image of the document from which the unique identifying number was obtained.

## What are the penalties for failure to file a BOI Report?

The CTA provides that any willful violation of BOI reporting requirements can result in penalties, including: (1) civil penalties of up to \$500 per day that a violation has not been remedied; and (2) criminal penalties of up to \$10,000 and imprisonment of up to two years.

## Is there anything small businesses should do now to prepare for BOI reporting?

The owners and managers of small businesses should determine whether their business is subject to the CTA's BOI reporting requirement. They should also begin to gather the required information and make sure the information is current when the initial BOI report is filed.

## Additional resources

[FinCEN.gov/BOI](https://fincen.gov/BOI) provides guidance to help the small business community understand these requirements and includes:

- Answers to [Frequently Asked Questions](#)
- Infographics about [Key Filing Dates](#) and [Key Questions](#)
- An [Introductory Video](#) and more detailed [Informational Video](#)

If you have questions regarding how this measure may affect you, please don't hesitate to [contact us](#).

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