

What is the Corporate Transparency Act?

How does it affect my practice?

The information provided below is informational only. You should consult your practice advisor or legal counsel to determine if and how your practice will need to comply with the requirements of the federal Corporate Transparency Act.

The new federal Corporate Transparency Act (CTA) became effective on January 1, 2024. The CTA requires companies doing business in the US to report Beneficial Owner Information (BOI) to the Financial Crimes Enforcement Network (FinCEN), unless they qualify for one of 23 exemptions under the CTA. Many or most small businesses will not be exempt, and therefore will be required to report information about their beneficial owners to FinCEN. The intent of the CTA is to create a national database for use by national security and law enforcement agencies to prevent the use of shell companies for criminal activity.

Each entity's BOI report must be filed electronically. For entities that were in existence on or before January 1, 2024, the BOI report must be filed by January 1, 2025. Entities that were formed on or after January 1, 2024 must file their BOI reports within 90 days of formation. (Entities that are formed on or after January 1, 2025 will have only 30 days to file a BOI report.)

Who needs to file

Any company that filed a document with the Secretary of State to create or register the entity needs to file.

- Includes corporations (including S corps) and LLCs

Companies exempt from reporting include:

- 501(c)(3) companies, sole proprietorships, trusts and most general partnerships; and
- "Large operating companies", which are companies that have:
 - more than 20 full-time US employees, and
 - Operating presence at a physical office within US, and
 - More than \$5M of US-sourced gross receipts on prior year tax return.

Who would be considered a beneficial owner?

There are 2 types of beneficial owners:

- Any individual who directly or indirectly owns or controls at least 25% of the ownership interest of the company

- Any individual who exercises substantial control or influence over the company (CEO, COO, president, board members, or even board members of direct or indirect owners of the company); these individuals do not need to have any ownership interest in the company to be beneficial owners

BOI reports for companies that are formed on or after January 1, 2024 must also include information on their “company applicants”.

A Company applicant is:

- The person who directly filed the document that created or registered the company; and
- The individual who was primarily responsible for directing or controlling the filing (this might be the same person that directly filed, or it might be a different person).

Company applicants must provide the same information as beneficial owners, except that a company applicant that forms or assists in forming entities as part of his or her course of business must provide his or her business address rather than a residential address.

Companies formed or registered before 2024 do not have to include any information on their company applicants in their BOI reports.

What information is included in the BOI filing:

The BOI filing includes basic personal information about the beneficial owners and, if applicable, the company applicant(s):

- full legal name and DOB
- residential address
- Unique ID number (passport, driver’s license, other govt issued card)

Beneficial owners, company applicants and companies can request a FinCEN ID no. for use in this reporting.

- A FinCEN ID is a unique number assigned by FinCEN which is obtained by submitting to FinCEN online the same information as is required of a beneficial owner or reporting company
- A FinCEN ID may be useful to individuals that prefer to send their personal information directly to FinCEN rather through a reporting company, or **to individuals who may be required to supply information as a beneficial owner or company applicant of several reporting companies**

The FinCEN ID process is quick and easy to do on the FinCEN website.

- Individuals may request a FinCEN identifier by completing an electronic web form at <https://fincenid.fincen.gov> Individuals will need to provide their full legal name, date of birth, address, unique identifying number and issuing jurisdiction from an acceptable identification document, and an

image of the identification document. After an individual submits this information, they will immediately receive a unique FinCEN identifier that can be used on any BOI filing.

- Reporting companies may request a FinCEN identifier by checking a box on the beneficial ownership information report upon submission. After the reporting company submits the BOI report, the company will immediately receive a unique FinCEN identifier.

When to File the BOI

For existing reporting companies created or registered before 2024, the initial report is due by January 1, 2025.

- Companies formed or registered after January 1, 2024 but before January 1, 2025 must file a BOI report within 90 days after the company's creation or registration.
- Companies formed or registered on or after January 1, 2025 must file a BOI report within 30 days after the company's creation or registration.
- It is expected that traffic to the FinCEN website will increase as the end of the year approaches. Practices are advised to begin the process of collecting information and filing early enough so that the filing is done before the deadline

How to File a BOI

BOI reports must be filed electronically through the FinCEN portal: <https://boiefiling.fincen.gov/>. There are two methods available:

- Fill out a web-based version of the form and submit it online, or upload a completed PDF version of the BOI report.
- Some third-party service providers may also offer the ability to file the BOI report through their software. The person who submits the BOI report will need to provide their name and email address to FinCEN.
- There is no fee for filing the report.

Where to Find More Information

- If you have any questions about these new reporting rules and how they affect your business, please consult your practice and/or legal advisors
- You can find more information on the FinCEN website: [Beneficial Ownership Information Reporting | FinCEN.gov](#)
- FinCEN also has a [Small Entity Compliance Guide](#) and frequently asked questions to help guide businesses through the reporting requirements. These are available at <https://www.fincen.gov/boi/small-business-resources>.