An Overview of the Corporate Transparency Act

The Corporate Transparency Act makes it necessary for various types of businesses to submit a report to a government agency called FinCEN, which is part of the U.S. Department of the Treasury. This report needs to include details about who owns, controls, and started the company.

FinCEN can then share this information with government authorities and certain financial institutions for specific reasons.

Starting from January 1, 2024, new companies have to follow these requirements, and existing companies have until January 1, 2025, to do the same. Even if companies were around in 2024 but dissolve before 2025, they might still have to provide a report.

This Act became a law as a part of the Anti-Money Laundering Act of 2020 within the National Defense Authorization Act for the fiscal year 2021. It applies to certain businesses, particularly smaller ones, that aren't closely regulated. They have to send a report to a part of the U.S. Treasury called FinCEN. This report will show who really owns or controls the company, and also information about those who originally formed the company. FinCEN can share this information with specific government groups and some financial institutions, but only for certain reasons.

For companies that are just starting, they have to follow these rules from January 1, 2024. But companies that already exist have until January 1, 2025, to send in their first report. It's important for those who might need to send in a report to start preparing and being careful to follow these rules, especially since the deadline for new companies is coming up soon.

This information gives an overview of the rules for reporting according to the Corporate Transparency Act. Keep in mind that this information is based on the current rules at the time of writing.

Who Needs to Send in a Report?

Companies that need to send in a report include corporations, LLCs, and businesses that get started by filing paperwork with a state office. Other types of businesses like partnerships and trusts might also need to report, depending on the laws of their state. This rule applies to businesses based in the U.S. and even some foreign companies that do business here. Even companies that don't do much might have to send a report if they meet certain conditions.

Who Can Skip Sending a Report?

Some types of businesses don't have to follow these rules. These include government groups, banks, credit unions, certain financial businesses, and a few others. But there are some details to these exemptions. For example, certain investment funds might be okay if they're operated by certain kinds of financial institutions.

Certain businesses and groups can't skip sending a report. These include foreign investment advisers, family offices, and some subsidiaries of private funds. Certain types of investment funds and foreign businesses also can't skip sending a report.

What Information Needs to be Sent?

Companies that need to send a report should provide their full name, any other names they use, where they were created or registered, and a unique tax ID number. They should also give information about the people who own or control the company, including their names, birth dates, addresses, and identification numbers. There are special rules for certain cases, like when a person's ownership is tied to another business.

Companies that are just starting also need to provide information about the people who started the company, similar to the information about owners and controllers.

Someone can provide this information directly to FinCEN and get a special ID. Then, they can give this ID to the company instead of giving their personal information.

Who Counts as an Owner?

An owner is someone who has a lot of control over a company. This includes top officers like the president and CEO, as well as people who can make important decisions for the company. It also includes people who own at least 25% of the company, including any convertible interests. Certain types of trusts and intermediaries might also count as owners.

What Does "Control" Mean?

If someone has control over a trust's assets, it means they can make decisions about them. For example, a trustee or someone who can manage the trust's property counts as having control. The person or entity who created the trust also counts if they can change or withdraw trust assets.

Some groups, like minor children, nominees, and others, don't count as beneficial owners.

Where Should the Information Be Sent?

Those who need to send in a report should do it through a special database managed by FinCEN. They have specific rules for how this should be done, and certain authorized people can access this information. It can be shared with law enforcement, intelligence agencies, and specific financial institutions.

Important Dates and Consequences

New companies have until January 1, 2024, to send in their first report. They should do this within 30 days of starting their business. Existing companies have until January 1, 2025, to send in their first report. If there are any changes to the ownership information, a report needs to be sent within 30 days.

People who don't follow these rules or misuse the ownership information might face fines and even jail time. There are consequences for not following the rules and for sharing the information in unauthorized ways.

The rules for sending in reports can be complex, and it's important to understand who needs to send one. If you have any questions or concerns about this, it's a good idea to get in touch with experts who can help you follow these rules correctly.

Contact us at **Systemized Financial Strategies** to learn how to file your BOI report and keep your small business in compliance.

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