

November 21, 2024

Dear Client:

This letter is to inform you of an important new reporting requirement that will affect many businesses operating in the U.S. under the Corporate Transparency Act (CTA), which was enacted as part of the anti-money laundering laws in 2021. Beginning in 2024, many companies will be required to file a Beneficial Ownership Information (BOI) report with the Financial Crimes Enforcement Network (FinCEN). This is part of a broader effort to prevent the use of shell companies for illicit activities and to promote greater corporate transparency.

### **Who Must File?**

US Domestic companies - are required to file a BOI report if they have been created or registered with the Secretary of State (SOS) or a similar office in the U.S. This includes:

- Corporations (including S corporations)
- Limited Liability Companies (LLCs) (including single-member LLC's)
- Other entities formed through the SOS or similar office

Foreign companies - must also file if they are registered with a Secretary of State or a similar office under state law.

Exemptions - Certain companies are exempt from filing, but many of these are already required to report ownership information to another government authority. Additionally, large operating companies with all the following characteristics are exempt from the reporting requirements:

1. More than 20 full-time U.S. employees,
2. A physical operating presence in the U.S. (e.g., a U.S. office),
3. More than \$5,000,000 in U.S. sourced gross receipts as reported on the prior year's federal income tax return.

Sole proprietorships, trusts, and general partnerships - are typically exempt from this filing requirement unless registered with the SOS, such as an LLP.

### **What Information Must be Provided?**

The BOI report must include information about the company's beneficial owners. A beneficial owner is an individual who meets one of two criteria:

1. Ownership - An individual who owns or controls at least 25% of the company's ownership interests.
2. Substantial Control - An individual who has substantial control over the company. This can include senior officers (e.g., CEO, CFO, COO, general counsel) or anyone with the

authority to appoint or remove senior officers or board members, regardless of ownership.

The report must include the following details for each beneficial owner:

- Full legal name
- Date of birth
- Street address
- A unique ID number (e.g., from a U.S. passport, state driver's license, or other government-issued ID)

A scanned image of the ID document showing the unique ID number must also be included.

### **Filing Deadlines**

- Existing companies created or registered before January 1, 2024 - must submit their initial BOI report by January 1, 2025.
- Companies created or registered between January 1, 2024 and December 31, 2024 - must file within 90 days of their registration. Please note that some new companies may already be late and should address this immediately.
- Companies created or registered on or after January 1, 2025 - must file their initial BOI report within 30 days of creation or registration.

If there are any changes to the information previously reported, an updated report must be filed within 30 days of the change. Therefore, it is essential that your company implements a system to track any changes in ownership or control and submit updated reports on time.

**Important Note:** We are not responsible for identifying when changes occur in your company that trigger the need for an updated report.

### **Penalties for Non-Compliance**

Failure to file the BOI report on time, or filing false or inaccurate information, can result in severe penalties, including:

- Civil fines up to \$500 per day for each day the report is late.
- Criminal penalties, including fines up to \$10,000 and possible imprisonment for willfully failing to file or providing false information.

### **How to File the Report**

The BOI report must be filed electronically via FinCEN's e-filing portal: <https://boiefiling.fincen.gov/>. There is no filing fee.

You can submit the report by:

1. Completing the web-based form on the portal and submitting it online, or
2. Uploading a completed PDF version of the report.

## **Next Steps**

To ensure compliance with these new requirements, I strongly encourage you to consult with a qualified attorney who can assist with the legal aspects of the filing process, especially if your BOI situation is more complicated than a simple filing and you need help identifying persons with substantial control. The filing activity is considered the practice of law in the State of New Jersey. Therefore, as a CPA, I will not be aiding in the filing of BOI reports. While I am unable to provide legal guidance on this matter, I am happy to recommend an attorney if needed.

If you have any questions or need further clarification, please do not hesitate to contact me.

Thank you for your attention to this important matter. It is critical that your company meets the filing deadlines to avoid penalties.

Best regards,

A handwritten signature in cursive script, appearing to read "Jacqueline M Ilvento".

Jacqueline M Ilvento, CPA