



# The Corporate Transparency Act

Beneficial Ownership Information (BOI)  
reporting requirements for companies



## An overview of topics to be discussed

- **What is the Corporate Transparency Act?**
- **What are the penalties for non-compliance?**
- **Does your company have to file a BOIR?**
- **What are the 23 reporting company exemptions?**
- **Who is a beneficial owner of a company?**
- **What is an ownership interest?**
- **What is substantial control?**
- **What is a company applicant?**
- **What company information must be reported?**
- **What individual information must be reported?**
- **What is a FinCEN ID?**
- **When should a reporting company file its initial BOIR?**
- **What if reported information changes or is inaccurate?**
- **Where can you find more information?**



## What is the Corporate Transparency Act (CTA)?

The **CTA**, enacted by a bipartisan Congress in 2021, requires non-exempt companies doing business in the United States to file a **Beneficial Ownership Information Report (BOIR)** – certain information about reporting companies and the beneficial owners who truly own or control them—with the U.S. government.

**Effective January 1, 2024**, many companies **must file** a BOIR with the **Financial Crimes Enforcement Network (FinCEN)**, a bureau within the U.S. Department of the Treasury.

The CTA is a crucial step in **stopping** the flow of **illicit funds** that harm the financial system and in **safeguarding** the financial system from **bad actors**.



# What are the penalties for non-compliance?

## Civil Penalties

- **Amount:** Up to \$591 for each day the violation continues.
- **Scope:** Applies to willful failure to report, update, or correct beneficial ownership information.

## Criminal Penalties

- **Fines:** Up to \$10,000.
- **Imprisonment:** Up to 2 years.
- **Scope:** Applies to willfully providing false or fraudulent information or failing to report required information.

## Accountability

Senior officers of a non-compliant entity may be held personally accountable for the failure to file accurate reports.



## Does your company have to file a BOIR?



### **Domestic Reporting Company**

Any company (e.g., C-corp, S-corp, LLC, LLP, or other entity) formed with a secretary of state or similar office that is not an exempt company must file a BOIR with FinCEN.



### **Foreign Reporting Company**

Any company formed under the law of a foreign (non-U.S.) country that is registered with a secretary of state or similar office to do business in the U.S. and is not an exempt company must file a BOIR with FinCEN.



### **Exempt Companies**

Certain companies are exempt from filing a BOIR with FinCEN, including publicly traded companies, nonprofits, and large operating companies. In total, there are 23 exemptions (see next slide for full list).



### **Non-Reporting Companies**

These include entities not created with a secretary of state or similar office, such as sole proprietorships and certain trusts.



# What are the 23 reporting company exemptions?

1. **Securities Reporting Issuer**
2. **Governmental Authority**
3. **Bank**
4. **Credit Union**
5. **Depository Institution Holding Company**
6. **Money Services Business**
7. **Broker or Dealer in Securities**
8. **Securities Exchange or Clearing Agency**
9. **Other Exchange Act Registered Entity**
10. **Investment Company or Adviser**
11. **Venture Capital Fund Adviser**
12. **Insurance Company**
13. **State-Licensed Insurance Producer**
14. **Commodity Exchange Act Registered Entity**
15. **Accounting Firm**
16. **Public Utility**
17. **Financial Market Utility**
18. **Pooled Investment Vehicle**
19. **Tax-Exempt Entity**
20. **Entity Assisting a Tax-Exempt Entity**
21. **Large Operating Company**
22. **Subsidiary of Exempt Entities**
23. **Inactive Entity**



# Who is a beneficial owner of a company?

If your company has to file a BOIR, you need to identify its beneficial owners. A beneficial owner is any individual who, **directly or indirectly**:

- Owns or controls at least 25 percent of the **ownership interests** of a reporting company; and/or
- Exercises **substantial control** over a reporting company.

## Criteria for Beneficial Owners

An individual might be a beneficial owner by virtue of their **ownership interest**, **substantial control**, or both. However, reporting companies are not required to report the reason (i.e., ownership interest and/or substantial control) that an individual is a beneficial owner.

## Exceptions

There are several exceptions to the definition of beneficial owner, including, a minor child, nominee, intermediary, custodian, agent, employee, inheritor, and creditor. Companies and legal entities cannot be beneficial owners with one exception for exempt entities.



## What is an ownership interest?

Reporting companies are required to identify **all individuals** who own or control at least **25% of the ownership interests** of a company.

Any of the following may be an **ownership interest**: equity, stock, or voting rights; a capital or profit interest; convertible instruments; options or other non-binding privileges to buy or sell any of the foregoing; and any other instrument, contract, or other mechanism used to establish ownership.

A reporting company may have multiple types or levels of ownership interests, but ultimately you must report **individuals**, not entities, that meet the 25% direct or indirect ownership interest threshold.

A trustee, beneficiary, grantor, settlor, or other individuals may have a reportable **ownership interest** in a reporting company **through a trust** or similar arrangement.





# What is substantial control?

Reporting companies are also required to identify all individuals who exercise **substantial control** over the company including individuals that do not meet the 25% ownership interest threshold.

## Criteria for Substantial Control

An individual exercises substantial control over a reporting company if the individual meets **any** of four general criteria:

- The individual is a **senior officer**
- The individual has **authority to appoint or remove** certain officers or a majority of directors of the reporting company
- The individual is an **important decision-maker**
- The individual has **any other form of substantial control** over the reporting company.



## What is a company applicant?

A reporting company formed or registered **on or after January 1, 2024** must report to FinCEN at least one company applicant, and at most two company applicants.

- The individual who **directly** created or registered the reporting company must be reported as the company applicant. This individual would have actually filed the documents with the secretary of state or similar office.
- If more than one individual was involved in forming or registering the company, then two company applicants must be reported. The individual who was primarily responsible for **directing or controlling the filing** with the secretary of state or similar office must be reported as the second company applicant.
- A reporting company cannot report more than two company applicants.

A reporting company formed or registered **before January 1, 2024** is not required to report company applicants.



# What company information must be reported?

A reporting company must provide the following information about itself:

- **Legal name**
- **Any trade name or any “doing business as” (d/b/a)**
- **Complete U.S. address**
- **State, Tribal, or foreign jurisdiction of formation**
- **For a foreign reporting company: State or Tribal jurisdiction of first registration**
- **Taxpayer Identification Number (TIN), i.e., EIN, SSN, or ITIN, or foreign tax ID, if no TIN is available.**



## What individual information must be reported?

A reporting company must provide the following information about individual **beneficial owners** and, if applicable, **company applicants**:

- **Name**
- **Date of birth**
- **Address**
- **Identifying number and issuing jurisdiction** from a non-expired U.S. state driver's license, U.S. passport, or an identification document issued by a U.S. state, local government, or Tribe. If no U.S. issued ID is available, a foreign passport.
- **An image of the above document** must also be provided (JPG/JPEG, PNG, or PDF)



## What is a FinCEN ID?

A **FinCEN ID** is a unique identification number issued by FinCEN to **individuals** or **entities**. This identifier can be **used for BOI reporting** to simplify the reporting process by substituting it for detailed personal information.

### **Unique Identification**

A FinCEN ID is a unique number issued to individuals or entities by FinCEN.

### **Substitute for Personal Information**

It can be used in place of detailed personal information in required reports.

### **Optional**

Obtaining a FinCEN ID is not mandatory; it is an optional tool for reporting entities, beneficial owners, and company applicants.



# When should a reporting company file its initial BOIR?

## **Existing companies**

Companies formed or registered **before** January 1, 2024 must file **by** January 1, 2025.

## **New companies**

Companies formed or registered **between** January 1, 2024 **and** December 31, 2024 must file within **90 calendar days** of the effective date of formation or registration.

## **New companies**

Companies formed or registered **on or after** January 1, 2025 must file within **30 calendar days** of the effective date of formation or registration.

## **Special Circumstances**

If a company qualifies for an **exemption** from the BOIR requirement or has **unique filing conditions**, it may follow specific alternative reporting guidelines. Check with FinCEN.



# What if reported information changes or is inaccurate?

## Updated Reports

- **When Required:** An updated report is required when there is any change in the information previously reported to FinCEN, such as changes in beneficial ownership, company structure, addresses, or other relevant details.
- **Timeline:** The reporting company must file an updated report within **30 calendar days** of the change occurring.

## Corrected Reports

- **When Required:** A corrected report is necessary when the reporting company discovers inaccuracies or errors in the information previously submitted to FinCEN.
- **Timeline:** The reporting company must file a corrected report within **30 calendar days** of discovering the inaccuracy.



## Where can you find more information?

### **FinCEN Guidance**

FinCEN Guidance is a leading provider of BOI reporting solutions. Trusted by law offices, CPAs, accounting firms, and B2B service providers, FinCEN Guidance offers a powerful platform that simplifies BOI reporting and ensures compliance with the latest regulatory requirements.

<https://fincenguidance.com/>

### **FinCEN Small Entity Compliance Guide [PDF]**

FinCEN published the Small Entity Compliance Guide to help small entities comply with the BOI reporting obligations under the CTA.

<https://www.fincen.gov/boi/small-entity-compliance-guide>

### **FinCEN**

Additional official government resources about BOI reporting.

<https://www.fincen.gov/boi>



# FinCEN GUIDANCE

<https://fincenguidance.com/>