

Starting January 1, 2024, a significant number of businesses will be required to comply with the Corporate Transparency Act (“CTA”). The CTA was enacted into law as part of the National Defense Act for Fiscal Year 2021. The CTA requires the disclosure of the beneficial ownership information (otherwise known as “BOI”) of certain entities from people who own or control a company.

Below is some preliminary information for you to consider as you approach the implementation period for this new reporting requirement. **This information is meant to be general-only and should not be applied to your specific facts and circumstances without consultation with competent legal counsel.**

### **What entities are required to comply with the CTA’s BOI reporting requirement?**

Entities organized both in the U.S. and outside the U.S. may be subject to the CTA’s reporting requirements. Domestic companies required to report include corporations, limited liability companies (LLCs) or any similar 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.

***Domestic entities that are not created by the filing of a document with a secretary of state or similar office are not required to report under the CTA.***

### **Are there any exemptions from the filing requirements?**

There are 23 categories of exemptions. Included in the exemptions list are publicly traded companies, banks and credit unions, securities brokers/dealers, public accounting firms, tax-exempt entities and certain inactive entities, among others. Please note these are not blanket exemptions and many of these entities are already heavily regulated by the government and thus already disclose their BOI to a government authority.

In addition, certain “large operating entities” are exempt from filing. To qualify for this exemption, the company must:

- a) Employ more than 20 people in the U.S.;
- b) Have reported gross revenue (or sales) of over \$5M on the prior year’s tax return; **and**
- c) Be physically present in the U.S.

### **When must companies file?**

There are different filing timeframes depending on when an entity is registered/formed or if there is a change to the beneficial owner’s information.

- New entities (created/registered after 12/31/23) — must file within 90 days
- Existing entities (created/registered before 1/1/24) — must file by 1/1/25
- Reporting companies that have changes to previously reported information or discover inaccuracies in previously filed reports — must file within 30 days

### **Risk of non-compliance**

Penalties for willfully not complying with the BOI reporting requirement can result in criminal and civil penalties of \$500 per day and up to \$10,000 with up to two years of jail time.

### **Next step**

Assisting you with your compliance with the Corporate Transparency Act (“CTA”), including beneficial ownership information (“BOI”) reporting, is not within the scope of the services we provide. You have sole responsibility for your compliance with the CTA, including its BOI reporting requirements and the collection of relevant ownership information. Information regarding the BOI reporting requirements can be found at <https://www.fincen.gov/boi>. Consider consulting with legal counsel if you have questions regarding the applicability of the CTA’s reporting requirements and issues surrounding the collection of relevant ownership information.