

Corporate Transparency Act Reporting Fact Sheet

Almost all entities (including single member LLCs) will have some filing requirement under the Corporate Transparency Act (CTA). If your entity was in existence prior to December 31, 2023 the deadline to file is January 1, 2025. If your entity was formed on or after January 1, 2024 but before January 1, 2025 you must file within 90 days. Entities created after January 1, 2025 must file within 30 days.

Businesses generally exempt from filing:

- Large companies defined in the CTA as businesses with:
 - Over 20 full-time employees working in the United States **AND**
 - A least \$5 million in gross receipts or sales reported on the previous year's tax return
- Certain tax-exempt entities
- SEC reporting securities issuers
- Registered investment or insurance companies
- Banks and credit unions
- Governmental authorities
- Certain inactive entities in existence prior to January 1, 2020

Additional filing exemptions can be found on FinCen's website.

New Reporting Requirements Under the Corporate Transparency Act

Background

The Corporate Transparency Act (CTA), part of Congress's National Defense Authorization Act (NDAA), was passed in 2021. Its purpose is to improve business ownership transparency, particularly for small businesses (1). The goal is to increase awareness regarding an entity's structure, ownership, and

monitoring for potential illicit activities, including money laundering. **Harsh penalties can be assessed for non-compliance.**

Beneficial Ownership

The CTA requires disclosure of beneficial ownership information for most entities and their respective owners. A beneficial owner is someone who has the power or substantial authority to exercise control over the entity. The CTA refers to individuals who, either directly or indirectly, exercise substantial control or own at least 25% of the capital or profit interests of the entity (1). Substantial control can denote individuals who possess roles such as a senior officer, or an important decision-maker, and can make choices that impact the business, finances, and structure. It is important to note that an individual who is an intermediary or acts on behalf of another, such as the trustee of a trust, may possess indirect ownership.

Reporting companies are not restricted to being domestic entities. If a foreign company is registered for business in any US state or jurisdiction the foreign entity must file under the CTA. However, some entities, including certain nonprofit entities, SEC reporting issuers, registered investment or insurance companies, banks, governmental authorities, and large companies are exempt from filing (2). Large companies are defined in the CTA as businesses with over 20 full-time employees working in the United States and having in excess of \$5 million in gross receipts or sales reported on the previous year's tax return (1). A full list of exempt entities can be found in the regulations.

BOI Report

The document that must be filed, called the Beneficial Ownership Information (BOI) report, is filed with the Financial Crimes Enforcement Network (FinCEN). FinCEN is a bureau of the U.S Department of the Treasury responsible for safeguarding the financial system (3). This document is not filed with the Internal Revenue Service and the information will not be publicly available. Entities in existence prior to December 31, 2023 have until January 1, 2025, to file their reports. Entities created after December 31, 2023 but before January 1, 2025 will have 90 days to file after receiving notice of creation (1). Any entities created on or after January 1, 2025 must file within 30 days. When there is a change of beneficial ownership, reports must be updated within 30 days. This can happen as a result of a sale,

acquisition, merger, or family estate planning. If a company becomes aware of an error in its BOI report, it has 30 days to file a corrected report to avoid civil and/or criminal penalties.

Report Information

The report includes both the information about the business and its beneficial owners. Business details include the name and all trade names and DBAs, address, place of formation, location of principal place of business, and taxpayer identification number (TIN). Each beneficial owner must disclose their full legal name, date of birth, residential address, and provide a unique identifying document, such as a driver's license or passport (2). This information is also required for newly formed businesses and for individuals who become beneficial owners. Reporting entities and beneficial owners have the option of requesting a FinCEN identifier, which is a unique identifier used to simplify the reporting process.

Company Applicants

Companies registered on or after January 1, 2024, will be required to report company applicants. There are two classes of company applicants. The first is the individual who directly files the document that creates or registers the entity and the second is the individual who is responsible for directing or controlling the filing (1). It is important to note that companies created before January 1, 2024 do not need to submit this information.

Penalties

There are potentially harsh penalties for filing false or incomplete information, as well as failing to file an updated report. These include both civil and criminal penalties depending on the nature of the offense. Fines are up to \$591 per day until corrected up to \$10,000 per violation and potential jail time of up to two years (2). Penalties are cumulative until the entity complies and are adjusted annually for inflation.

Conclusion

The Corporate Transparency Act (CTA) is a new addition to the landscape of legislation aimed at reducing criminal financial activities while increasing awareness about the ownership behind businesses. This new provision, effective January 1, 2024, requires beneficial owners to file the Beneficial Ownership Information (BOI) report with FinCEN in a timely manner to ensure compliance. Please contact us with questions or assistance in coming into compliance during 2024.

References

1. What to know about the Corporate Transparency Act | [thomsonreuters.com](https://www.thomsonreuters.com)
2. Beneficial Ownership Information Reporting | [FinCEN.gov](https://www.fincen.gov)
3. What We Do | [FinCEN.gov](https://www.fincen.gov)

This information has been provided by Gold Gerstein Group, LLC.

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