

January 20, 2025

Beneficial Ownership Information (BOI) - Corporate Transparency Act (CTA)
Reporting Requirement

IF YOU OWN PART OF A CORPORATION OR LLC THIS WILL APPLY TO YOU

If you do not own a part of a Corporation or LLC this may not apply to you.

This Notice is to inform regarding a pending filing requirement with the Financial Crimes Enforcement Network (FinCen) of the US Treasury. *This is not an income tax compliance requirement and is not part of the yearly income tax filing process with the Internal Revenue Service.*

The Corporate Transparency Act (CTA) was enacted in 2021 as part of the National Defense Act. The CTA requires the disclosure of the beneficial ownership information (BOI) of certain entities from people who own or control a company.

About 35 million small businesses will be required to comply with this reporting requirement. The intent of the BOI reporting requirement is to assist U.S. law enforcement combat money laundering, the financing of terrorism and other illicit activity.

The CTA is not part of the tax code. Instead, it is *a part of the Bank Secrecy Act*, a set of federal laws that require record keeping and report filing on certain types of financial transactions. Under the CTA, *BOI reports will not be filed with the IRS, but with the Financial Crimes Enforcement Network (FinCEN)*, an agency of the Department of Treasury.

Timeline

In March 2024 a Federal Court ruled the CTA was unconstitutional. On Dec. 3, 2024 another Federal Court prohibited its enforcement, including the BOI reporting rule, and issued a Nationwide Injunction. Since then, the Department of Justice (DOJ) has appealed the case to the Supreme Court.

What entities are required to comply with the CTA's BOI reporting requirement?

Entities in existence in 2023 and organized in 2024 and 2025, both in and outside the U.S. may be subject to the CTA's reporting requirements. 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.

Are there any exemptions from the filing requirements?

There are various exemptions. Certain ~~large~~ operating entities are exempt from filing. To qualify for this exemption, the company must:

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

Who is a beneficial owner?

Any individual who, directly or indirectly, either A) Exercises ~~substantial~~ control over a reporting company, **or** B) Owns or controls at least 25 percent of the ownership interests of a reporting company.

An individual has substantial control of a reporting company if they direct, determine or exercise substantial influence over important decisions of the reporting company. *This may include any senior officers of the reporting company, regardless of formal title or if they have no ownership interest in the reporting company.*

What sort of information is required to be reported?

Companies must report the full name of the reporting company, any trade name or doing business as (DBA) name, business address, state or Tribal jurisdiction of formation, and an IRS taxpayer identification number (TIN).

Additionally, information on the beneficial owners of the entity is also required. This information includes name, birthdate, social security number, address, and unique identifying number and issuing jurisdiction from an acceptable identification document (e.g., a driver's license or passport).

When must companies file?

Presently the reporting requirement is on hold until the Supreme Court rules on the appeal. It is unknown how quickly or lengthy the decision process will be. If the Supreme Court upholds the CTA and the reporting requirements, then FinCen will notify the date when reporting must begin.

This would not be a one-time filing. Going forward reporting companies will have 30 days to file with FinCen regarding any changes to the company or the beneficial owners such as address, name, etc. and any previously reported inaccuracy.

RISK OF NON-COMPLIANCE

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

What to do now?

- Monitor the status of BOI regarding the Supreme Court decision.
- You may voluntarily submit the BOI information now.
- If it is determined there is a reporting requirement these are some options:
 - File directly using the www.fincen.gov website, *which also has updates*.
 - Contact your Attorney to file on your behalf.
 - Frost Law is a Law Firm in Annapolis, MD that is providing this service. Their website www.frosttaxlaw.com *has updates* and you may sign up with them to file on your behalf. If you prefer to email an Attorney directly, contact Joshua Matthews at Joshua.matthews@frosttaxlaw.com. They can be reached by phone at 410-497-5947. If you contact them, please let them know you were referred as one of my clients.

While I am available for questions, this is not a service we can provide at this time.