

# FinCEN Beneficial Ownership Reporting



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HELPING SMALL BUSINESS AND FAMILIES MANAGE THEIR INSURANCE AND FINANCIAL NEEDS!

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## Beneficial Ownership Reporting

The Corporate Transparency Act (CTA) is intended to provide information to the U. S. Department of the Treasury on the ownership and control of companies in an attempt at transparency to prevent money laundering and other crimes.

### Reporting Company

The CTA requires a reporting company to disclose information about beneficial owners to the Financial Crimes Enforcement Network (FinCEN). The rule defines two types of reporting companies, domestic and foreign.

**Domestic reporting company.** A domestic reporting company is a corporation, limited liability company (LLC), or was otherwise created in the United States by the filing of a document with a secretary of state or similar office.

**Foreign reporting company.** A foreign reporting company is a corporation, LLC, or other entity formed under the law of a foreign country that is registered to do business in any state or tribal jurisdiction by filing a document with a secretary of state or similar office.

**Exemption entities.** 23 types of entities are exempt from the beneficial ownership reporting requirement. Many of these entities are already regulated by federal or state government and many already disclose ownership information to a government authority. One of the exemptions, for example, is for large operating companies with at least 20 full-time employees, more than \$5,000,000 in gross receipts or sales, and an operating presence at a physical office in the United States. An exemption also exists for inactive companies.

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FinCEN's Small Entity Compliance Guide includes checklists for each of the 23 exemptions that may help determine whether your company qualifies for an exemption. To access the guide go to [www.fincen.gov/boi](http://www.fincen.gov/boi).

**Small businesses.** Note that small businesses are not exempt. Also, there is no dollar minimum or profit motive requirement. A hobby that generates no profits, for example, would be subject to reporting requirements if it is registered as a limited liability company.

### Beneficial Owner

A beneficial owner includes any individual who, directly or indirectly, either:

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

The regulation further defines persons who have substantial control or own or control ownership interests.

### Information Reported

Reporting companies must report the identity of the company.

- Name,
- Any alternate names or tradenames,
- The current address of its principal place of business,
- The jurisdiction of formation or registration, and
- Its taxpayer identification number.

A reporting company must also report the following information about each beneficial owner.

- The individual's name, birthdate, and address,
- A unique identifying number and issuing jurisdiction from an acceptable identifying document, and
- An image of the identifying document.



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Most commonly, this identifying document will be a driver's license or passport. The required information for an individual can either be reported by the company or the individual. If an individual provides the information, he or she may obtain a "FinCEN identifier," which can then be used by the reporting company in lieu of the individual's required information.

Reporting companies created after January 1, 2024 must also report information about the company applicants. The company applicant is the individual who files or is responsible for filing the document that creates the company.

**Reporting timeline.** Reporting begins January 1, 2024.

- Reporting companies created or registered before January 1, 2024, will have one year (until January 1, 2025) to file their initial reports.
- Reporting companies created or registered after January 1, 2024, will have 90 days after receiving notice of their creation or registration to file their initial reports.
- Reporting companies created or registered after January 1, 2025, will have 30 days after receiving notice of their creation or registration to file their initial reports.
- Reporting companies have 30 days to report changes to the information in previous reports and 30 days to correct inaccurate information after becoming aware of the errors or having reason to know of the inaccuracies.

**How to report.** Beneficial ownership information is reported electronically via FinCEN's website. Reports cannot be submitted before January 1, 2024. There is no fee involved. FinCEN has a Small Business Compliance Guide and other helpful materials available at [www.fincen.gov/boi](http://www.fincen.gov/boi).

**Use of information.** The CTA imposes stringent access requirements and safeguards on users. Foreign and domestic security, intelligence, and law enforcement agencies will be able to access beneficial ownership information. Financial institutions conducting customer due diligence will also be able to access this information upon customer consent.

**Penalties.** Civil penalties of up to \$500 per day may be levied for willful violation of reporting requirements. You may also be subject to criminal penalties of up to two years of imprisonment and a fine of up to \$10,000.

## Contact Us

There are many events that occur during the year that can affect your tax situation. Preparation of your tax return involves summarizing transactions and events that occurred during the prior year. In most situations, treatment is firmly established at the time the transaction occurs. However, negative tax effects can be avoided by proper planning. Please contact us in advance if you have questions about the tax effects of a transaction or event, including the following:

- Pension or IRA distributions.
- Significant change in income or deductions.
- Job change.
- Marriage.
- Attainment of age 59½ or 73.
- Sale or purchase of a business.
- Sale or purchase of a residence or other real estate.
- Retirement.
- Notice from IRS or other revenue department.
- Divorce or separation.
- Self-employment.
- Charitable contributions of property in excess of \$5,000.

This brochure contains general information for taxpayers and should not be relied upon as the only source of authority. Taxpayers should seek professional tax advice for more information.

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