

The Corporate Transparency Act (CTA): Be Prepared for Beneficial Ownership Information (BOI) Reporting to Commence in 2024

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The Corporate Transparency Act (CTA) was signed into law in 2021 and is set to go into effect on January 1, 2024. The purpose of the CTA is to address financial security threats by limiting corrupt actors' abilities to launder illicit funds through companies in the United States. In practice, the CTA burdens businesses in the United States with additional reporting requirements in the form of Beneficial Ownership Information (BOI) reports filed with the Financial Crimes Enforcement Network (FinCEN) of the United States Department of the Treasury.

Which Companies Are Required to Report?

“Reporting Companies” are defined as domestic corporations, limited liability companies (LLCs), and any other companies created by filing documentation with a Secretary of State or similar office. A foreign company may be a reporting company if it is registered to do business in any State or Tribal jurisdiction in the United States, where it filed documentation with a Secretary of State or similar office.

There are twenty-three (23) enumerated exemptions available for companies that otherwise fit the definition. Each of these exemptions has criteria for qualification.

What is Required in the BOI Report?

The reports must identify and provide information about the beneficial owners of the company and the company applicants. The CTA defines a beneficial owner as someone who exercises substantial control over a reporting company or one who owns or controls at least 25 percent of the ownership interests of a reporting company. A company applicant is someone who directly filed the document creating the company or the individual who was primarily responsible for controlling the filing of the document.

What is the Penalty for Not Reporting?

The failure to report complete and accurate information by the deadline is punishable by the assessment of civil penalties up to \$500 for each day the violation continues. Criminal penalties may also be sought in extraordinary circumstances, carrying a maximum sentence of two years imprisonment and/or a fine of up to \$10,000. Senior officers may be held personally accountable for the failure to report. If a company files a report and discovers an inaccuracy in the report, it has 90 days from the date of filing to make corrections without penalty.

If you have questions about the BOI reports or need assistance to comply with the requirements, you should speak with a qualified attorney as soon as possible. **CREPEAU MOURGES** is a law firm focusing on complex, high-stakes financial compliance matters. We represent individuals, businesses, and preparers in serious matters involving the Internal Revenue Service, Department of Justice, FinCEN and many other federal and state agencies. If you have a financial or compliance issue, contact us today for a free consultation at safko@usataxlaw.com or 667.262.9382.