



A division of Lawrence & Associates, Inc.

## **Important Message Regarding Corporate Transparency Act**

### **Dear Clients:**

We are writing to inform you about the Corporate Transparency Act (CTA), a new law recently enacted by Congress that will have significant implications for businesses like yours.

The Corporate Transparency Act (CTA) was enacted by Congress in 2021 as part of the Anti-Money Laundering Act of 2020 (AMLA). Effective January 1, 2024, CTA requires most US business entities to disclose company information including beneficial owners to the US Department of Treasury's Financial Crimes Enforcement Network (FinCEN).

We recognize that this new law may present a challenge to our small business clients. However, it is important to understand that its purpose is to combat money laundering, tax fraud, and other illicit activities. This law closes a loophole in corporate regulations which malicious actors exploit to hide their identities using shell companies.

### **Who Has to Report?**

1. A corporation, a limited liability company or any entities created in the U.S. by filing a document with a secretary of state or any similar office under the law of a state or Indian tribes.
2. A foreign company which is registered to do business in any U.S. state or Indian tribal jurisdiction.

There are 23 exempted entities which are not required to report. Exempt entities include publicly traded companies, certain financial institutions, tax-exempt organizations and companies with more than 20 full-time employees and more than \$5 million in gross receipts annually. Most of these exempt entities already report their information to the US government. For more information regarding exempt entities, please refer "Small Entity Compliance Guide" on [www.fincen.gov/boi](http://www.fincen.gov/boi).

### **When Do I Have to Report?**

1. Companies created or registered on or after January 1, 2024: You must file beneficial ownership information (BOI) with FinCEN within 90 days after receiving actual or public notice that your company's creating or registration is effective.
2. Companies created or registered prior to January 1, 2024: You must file BOI by January 1, 2025.
3. After initial filing, any update or revision to the BOI, you must file the changes within 30 days.

### **Who is a Beneficial Owner?**

A beneficial owner is any individual who, directly or indirectly, either exercises "substantial control" over the company or owns or controls at least 25 percent of the ownership interests of the company.

An individual has substantial control over the company if the individual:

- i. Serves as a senior officer of the company,
- ii. Has authority over the appointment or removal of any senior officers or majority of the board of directors,
- iii. Directs, determines or has substantial influence over important decisions made by the company,
- iv. Has any other form of substantial control over the company.

### **What Do I Report?**

1. Company information: Name, address, registration, taxpayer identification number (TIN) of the company
2. Beneficial ownership information: Full legal name, date of birth, unique identifying numbers (such as passport numbers or driver's licenses), current address of the principal places of business. There is no maximum number of beneficial owners to be reported and anyone who qualifies as a beneficial owner must be reported.
3. Company Applicant(s): A company created on or after January 1, 2024, must report the “direct filer”, the person who directly filed the documents that created or first registered. If another person directs or controls the filing of the creation or registration documents of the company, this person also must be reported to FinCEN. The maximum number of company applicants is two.

### **Where Do I file?**

You must report BOI electronically through FinCEN's website, [www.fincen.gov/boi](http://www.fincen.gov/boi). This website will be available on January 1, 2024.

### **What are the penalties for non-compliance?**

Entities that fail to comply with the CTA may be subject to civil penalties of up to \$500 per day. Additionally, willful failures to comply may result in up to two years of imprisonment.

Given the nature of reporting, it is **YOUR RESPONSIBILITY** to submit the initial BOI filing or report any subsequent changes to your company in a timely manner.

For more information about beneficial ownership information, visit [www.fincen.gov/boi](http://www.fincen.gov/boi). You will find a brochure introduction to BOI reporting, “Small Entity Compliance Guide” and an informational video on the website.

If you want to discuss this with one of our tax preparers, please do not hesitate to contact us.

Sincerely,

Lawrence Tax Service