

## The Corporate Transparency Act: Update on the BOI Reporting Obligations Effective January 1, 2024

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*The Corporate Transparency Act was passed in 2021 as part of a suite of efforts from the federal government to crack down on money laundering across various parts of the economy. The CTA specifically targets efforts to hide monies under the guise of complicated corporate entity structuring. Whereas these entities previously enjoyed a significant amount of privacy regarding matters of ownership, under the CTA, these entities will now be required to disclose detailed, personal information about their beneficial ownership.*

### WHO NEEDS TO FILE?

- Any corporation, limited liability company, or any similar entity formed by filing with the secretary of state.
- Most small businesses, fund-manager entities, and real-estate holding companies.

### WHO IS EXEMPT?

- Publicly traded companies and other entities that file reports with the SEC.
- Tax-exempt entities, banks, credit unions, money-services businesses, insurance companies, securities brokers and dealers, state-licensed insurance producers, public utilities, and accounting firms.
- There is also an exemption for 'large operating companies', which employ more than 20 full-time employees in the U.S., has an operating presence at a physical office within the U.S., and has filed a federal income-tax or information return in the U.A. for the previous year with more than \$5 million in gross receipts/sales.

### WHAT IS BEING REPORTED?

- Full legal name, 'doing business as' name, office address, jurisdiction of formation, IRS EIN.
- Beneficial Owner Information – see below
- Company Applicant Information – see below

## WHEN ARE THE REPORTS DUE?

- New Reporting Companies: Businesses formed after January 1, 2024, will have to file their initial reports to FinCEN within 90 calendar days of their initial formation.
- Existing Reporting Companies: Any business formed before January 1, 2024, has until January 1, 2025, to submit their initial reports.
- Updates or Corrections to Reports: If there is a change in Beneficial Owner Information, businesses will have 30 days from the date of the change to file an updated report.

## WHERE IS THIS INFORMATION BEING KEPT?

- Disclosures will be made to a centralized federal database under FinCEN.

## WHO WILL HAVE ACCESS TO THESE REPORTS?

- These reports will not be accessible to the general public.
- Law-enforcement agencies, government regulators of financial institutions, the Treasury Department, and certain foreign authorities requesting information through federal agencies.

## WHO IS CONSIDERED A BENEFICIAL OWNER?

- Any individual that exercises substantial control over the reporting company, or that owns or controls at least 25% of the ownership interest of the reporting company.

## WHO IS CONSIDERED A COMPANY APPLICANT?

- Only reporting companies created or registered on or after January 1, 2024, will need to report their company applicants.
- A company that must report its company applicants will have only up to two individuals who could qualify as company applicants:
- The individual who directly files the document that creates or registers the company; and
- If more than one person is involved in the filing, the individual who is primarily responsible for directing or controlling the filing.

## WHAT IS AN OWNERSHIP INTEREST?

- An arrangement that establishes ownership rights in the reporting company. Examples of ownership interests include shares of equity, stock, voting rights, or any other mechanism used to establish ownership.

## WHAT HAPPENS IF I DON'T FILE?

- Non-compliance can result in substantial penalties of \$500 a day up to two years in jail.

### HOW CAN THE ATTORNEYS AT BACON WILSON, P.C. HELP YOU?

Our firm has set up a team of Attorneys to assist our clients in understanding these new reporting requirements, evaluating the exemptions, and providing FinCEN reporting services. We would be happy to help you with any questions you may have about the Corporate Transparency Act, or its reporting requirements. Entities should first consult with an attorney to understand whether they qualify for an exemption or whether the CTA will require them to submit reports to FinCEN. Then, the owners and managers should decide when they want to file their initial disclosure and begin the process of gathering the required reporting information.

Finally, it is highly recommended that they implement a system to keep the reporting information accurate and up to date, so they know when updated reports need to be filed. The reporting companies should communicate with their clients to assist in filing these new reports and to have their own information ready and available to disclose to FinCEN.

Please contact us today with any further inquiries or concerns at any of our offices in Springfield, Amherst, Northampton, or Westfield.

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