

Guide to the Corporate Transparency Act

Brief overview:

The Corporate Transparency Act (CTA) is a new law effective January 1st, 2024. Under this new law, certain business entities are required to file annual Business Ownership Information (BOI) Reports through FinCEN's [e-filing system](#). These BOIs will disclose a business entity's beneficial owners, and sometimes its company applicants.

Information submitted in annual BOI reports will not be made public - FinCEN is only authorized to disclose this information to law enforcement agencies and financial institutions.

Entities that fail to file an annual BOI can receive penalties of \$591 per day up to \$10,000 and/or imprisonment for up to two years.

Filing a BOI report should only take about ten minutes of your time.

Reporting Companies:

Business entities that are required to submit annual BOI reports are considered "reporting companies". If the business entity is a **corporation**, an **LLC**, or was otherwise **formed by filing a document with a secretary of state**, this business entity is considered reporting company unless otherwise exempt.

Exemptions: There are 23 specific types of entities that are exempt under the CTA. If your business type is one of the following, you may not need to file a BOI. For more info about each exempt business type, please refer to the [BOI Small Entity Compliance Guide](#).

- Securities reporting issuers
- Government authorities
- Banks, credit unions, money services businesses, depository institution holding companies
- Brokers or dealers in securities, securities exchange or clearing agencies
- Commodity Exchange Act registered entities or Other Exchange Act registered entities
- Investment companies/investment advisers, venture capital fund advisers, pooled investment vehicles
- Insurance companies, state-licensed insurance producers
- Accounting firms
- Public utilities
- Financial market utilities
- Tax-exempt entities
- Subsidiaries of an exempt entity or entities assisting a tax-exempt entity
- Large operating companies
- Inactive entities

What is filed:

Reporting companies must submit annual BOIs through FinCEN's [e-filing system](#) each year by **January 1st**. Reporting companies will be asked to report the following:

1. **Beneficial Owners**- Reporting companies must disclose its beneficial owners. A beneficial owner is any individual who holds at least 25% ownership interest in the entity, or an individual who holds less 25% ownership interest but exercises "substantial control" over the entity. Reporting companies must provide each beneficial owner's legal name, date of birth, address, and ID number.

There are a few exceptions to reporting beneficial owners:

- a. *A minor child who is a beneficial owner does not need to be reported until they reach adulthood.*
- b. *A beneficial owner's nominee, intermediary, custodian, or agent does not need to be reported unless they exercise substantial control over the entity*
- c. *An inheritor with only a future interest*
- d. *A creditor if its only interest in the entity is debt*

If a beneficial owner owns multiple entities, they should obtain a FinCEN Unique Identification Number, or ID. The businessowner can use the same FinCEN ID for each entity when filing. Individuals can obtain a FinCEN ID on [FinCEN's landing page](#).

2. **Company applicants-** Only reporting companies that are formed **on or after January 1st, 2024** need to include information about its company applicants when filing a BOI report. Entities formed before this date need only include beneficial owner information. A company applicant is the individual who directly filed the registration paperwork to form the entity. A reporting company may have two company applicants. The second applicant is an individual who did not file the formation paperwork themselves, but directed the first company applicant to do so. Reporting companies must provide each company applicant's legal name, date of birth, address, and ID number.

When Mid-Year Filing is Required:

A new business entity must submit a BOI report within 30 days of state registration.

If there is a change to an entity between annual filings, this must be reported within 90 days. Examples of changes that must be reported include adjustments in ownership or DBA registration.

Inaccurate Reporting:

Although there are no penalties for filing an inaccurate BOI report, any mistakes must be corrected within 90 days of filing.

There is no penalty for submitting a BOI report even if not legally required, but there are legal consequences for failing to file a BOI as a reporting company. *When in doubt, file a BOI report, or discuss with an attorney.*

Additional Resources:

- [FinCEN Small Entity Quick Reference Guide](#)
- [FinCEN Small Entity Compliance Guide](#)
- [FinCEN FAQs](#)
- [Instructional video on filing BOI reports online](#)
- [American Bar Association Guide to CTA](#)