

Beneficial Ownership Interest Reporting Requirements

As of January 1, 2024, the Corporate Transparency Act was passed to help prevent and stop money laundering, tax fraud, corruption, and other illegal activity. This created a new reporting requirement for certain companies doing business in the United States. Many small businesses are required to report information about their beneficial owners to the Financial Crimes Enforcement Network (FinCEN).



Who Must File#

Domestic and foreign reporting companies are required to file reports. A company is considered a reporting company if a document was filed with the secretary of state (SOS) or similar office to create or register the entity. Corporations (including S Corporations), LLCs, and other entities formed through the SOS (limited liability partnerships, business trusts, and most limited partnerships) are subject to the reporting. Sole proprietorships, trusts, and general partnerships do not require the filing of a formal document with the SOS; therefore, they are generally not considered a reporting company subject to this reporting requirement.

Who Is Exempt

Companies with more than 20 full-time employees, maintains a physical office in the US, and more than \$5 million of gross receipts reported on its prior year federal income tax return are exempt from this reporting requirement.

What Must be Provided

Beneficial ownership information (BOI) must be reported for the company's beneficial owners. BOI includes legal name, date of birth, home address and a unique ID number from a license or passport. An image of the document showing the unique ID number must also be included with the report.

Beneficial Owners

A beneficial owner is defined as any individual who directly or indirectly owns or controls at least 25% of the ownership interest of the company or any individual who exercises substantial control over the reporting company. Individuals with substantial control are those with substantial influence over the important decisions about the company's business, finances, and structure. Officers such as President, CEO, COO, CFO, and any other officer who performs a similar function or has authority to appoint or remove officers, directors and board members are deemed to have substantial control.

Important Filing Dates

For existing companies created or registered before 2024, will have until January 1, 2025 to file the initial report. For companies created or registered in 2024, are required to file the initial report 90 days after the company's creation or registration. For companies created or registered after 2024, are required to file the initial report 30 days after the company's creation or registration.

How to File

BOI reports must be filed electronically using the FinCEN's e-filing portal available at <https://boiefiling.fincen.gov/>. There is no fee for filing the report.

Failure to File

The penalties for wilfully failing to file is up to \$591 per day that the report is late, up to \$10,000, and imprisonment for up to two years.

Morris & Rye, CPAs will not be filing any reports regarding the BOI #

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