



New Reporting Requirement for Business Owners

What Is It?

The Corporate Transparency Act (CTA) is a new federal law that became effective on January 1, 2024.

It was enacted as part of the National Defense Authorization Act for Fiscal Year 2021, with a goal of reducing money laundering through shell companies.

The CTA mandates that millions of entities report their *beneficial ownership information* (BOI) to the [Financial Crimes Enforcement Network](#) (FinCEN), which is part of the U.S. Treasury department.

Although FinCEN and the Internal Revenue Service (IRS) are both subsets of the U.S. Treasury, BOI reports will not be filed with the IRS, and the CTA is not part of the tax code. It is part of the Bank Secrecy Act, a set of federal laws that require recordkeeping and report-filing on certain types of financial transactions.

Who Will Be Affected?

The new law affects almost all limited liability companies, C corporations, S corporations, limited partnerships, and other closely held entities—both American and foreign-owned—that are registered to do business in the U.S.

The CTA refers to these organizations as *reporting entities*, meaning that they have an obligation to report information. Owners, principals, and other control persons involved in these organizations will have to provide information to the reporting entities.

Generally, if you were required to file articles of incorporation or similar documents with the Secretary of State in order to form, you will have a filing requirement under the CTA. Trusts, depending on state



law, generally do not have to file such documents, and, therefore, will not have to file BOI reports. However, if a trust is created in a U.S. jurisdiction that requires such filing with the state, then it may be considered a reporting company.

There are 23 types of entities that are exempt from the reporting requirements. Some exempt entities include large companies, public companies, other regulated companies, tax-exempt entities, and inactive entities. Chapter 1 of FinCEN's "Small Entity Compliance Guide" can help you determine whether your entity is required to file a BOI report.

Under the CTA, a *beneficial owner* is defined as any individual who directly or indirectly exercises substantial control over a reporting entity, regardless of their title or seniority. These individuals may or may not be actual owners of the company. However, any person who owns or controls at least 25 percent of the reporting company's ownership interests is automatically considered a beneficial owner.

Organizations that have trusts as beneficial owners may need specialized help navigating the complexity of these requirements.

When Does This Start?

Entities formed before January 1, 2024, will have until January 1, 2025, to file their initial reports. Those formed during the 2024 calendar year have 90 days to file, and beginning in 2025, newly formed reporting entities will have 30 days to file their initial reports.

What Information Must Be Reported?

Beneficial ownership information refers to identifying information about the individuals who directly or indirectly own or control a company. This includes each individual's name, address, email address, phone number, and more.

What If I Need to File Changes?

If there is **any change** to the required information about your company or its beneficial owners, your company must file an updated report within 30 days. This includes information related to address changes, ownership changes, or a change in senior officers.

Are There Penalties for Not Filing?

According to the CTA, a person who willfully violates BOI reporting requirements may be subject to civil penalties of up to \$500 for each day that the violation continues. That person may also be subject to criminal penalties of up to two years of imprisonment and a fine of up to \$10,000.

Potential violations include willfully failing to file a BOI report, willfully filing false beneficial ownership



information, or willfully failing to correct or update previously reported beneficial ownership information.

What Actions Do I Need to Take?

If you are required to report your company's BOI, you will do so electronically through a secure filing system. This system is available on FinCEN's BOI e-filing website: boiefiling.fincen.gov. This is also where you can access the necessary form for reporting.

Business owners of newly formed reporting entities should talk to their business attorneys to confirm that all BOI filing deadlines and requirements are being met. Since the new law is not connected to a tax filing, there will likely be no need to contact your tax professional unless you do not have a business attorney.

Those who may be considered beneficial owners of established entities may want to contact their legal counsel, tax preparer, or business entity.

For help determining the next steps forward, reach out to your CAPTRUST financial advisor, or click the [Talk to an Expert](#) button to find a financial advisor in your area.