

Understanding Your Obligations Under the Corporate Transparency Act



What is the Corporate Transparency Act?

Congress enacted the Corporate Transparency Act (CTA) on January 1, 2021, to address concerns that the inaccessibility of U.S. companies' beneficial ownership information (BOI) allows bad actors to engage in money laundering, tax fraud, corruption, and other illicit activity. The CTA requires certain entities to disclose their BOI to the Treasury Department's Financial Crimes Enforcement Network (FinCEN). Reporting companies that need help meeting their reporting obligations can consult with professional service providers such as accountants or lawyers.

Who Must File BOI Reports With FinCEN?

- Every corporation, LLC, and other legal entity formed in the US needs to determine whether it is a Reporting Company under the act or whether it falls within an exemption. Exemptions: Large companies with more than 20 employees, a U.S. Office, and annual gross receipts exceeding \$5M, tax-exempt entities, and inactive businesses.
- Every entity that is a Reporting Company needs to identify its Beneficial Owners and Company Applicant(s)
- Trustees will be deemed Beneficial Owners of a Reporting Company if the trust owns 25% or more of the Reporting Company

It is the obligation of the Reporting Company to file reports with FinCEN. However, individual Beneficial Owners, senior officers, and Company Applicants may face civil and/or criminal liability for willful failure to provide required information or for providing false information.

What Must You Report?

Each company must report, the full legal name of the reporting company and any trade or DBA names, the full business address of the principal place of business, IRS Taxpayer Identification Number (TIN), including an Employer Identification Number (EIN).

In addition, each reporting company must report the following details on its beneficial owners and, for newly created entities, its company applicant(s): Full legal name, date of birth, address, unique identifying number from an acceptable identification document and image of such document.

When Are The Deadlines?

A company created or registered on or after January 1, 2024 must file an initial beneficial ownership information report within 90 days after receiving notice that the company has been formed or registered. A company created or registered before January 1, 2024 must file an initial BOI Report before January 1, 2025. A company created or registered on or after January 1, 2025 must file an initial BOI Report within 30 days after receiving notice that the company has been formed or registered. Please note that under the CTA, it is the reporting company that is responsible for filing the BOI Report. It is not the responsibility of the beneficial owners, the company applicants, or the reporting company's accountants or attorneys.

What Happens If You Don't Comply?

A willful failure to report complete or updated beneficial ownership information to FinCEN, or the willful provision of or attempt to provide false or fraudulent beneficial ownership information may result in:

- Civil penalties of up to \$500 for each day that the violation continues
- Or criminal penalties, including imprisonment of up to two years and/or a fine of up to \$10,000
- A person may be subject to civil and/or criminal penalties for willfully causing a Reporting Company not to file a required a BOI report or to report incomplete or false beneficial ownership information.

A reporting company is obligated to update its report whenever there is a change in information of the company or a beneficial owner. The Rules state that there is no materiality threshold and the reporting company must report all changes. An update must be filed within 30 days after any change in information reported to FinCEN about the reporting company or any beneficial owner.

What's Next?

Contact Us: Cedar Rapids (319) 377-5094 - Des Moines (515) 256-6326 - Email: info@basepointtax.com

Basepoint Tax & Accounting stands ready to assist its clients with their analysis of their obligations under the CTA and complete all required reporting before the January 1st, 2025 deadline. **A formal engagement agreement is required to document our professional services, scope of work, and obligations to you to meet all CTA requirements. As your trusted service provider, we will:**

- Assess the reporting and filing requirements for the reporting company and beneficial owners
- Facilitate reporting and filing of initial Beneficial Ownership Information Report with FinCEN
- Maintain compliance with Beneficial Ownership Information Reporting requirements
- Monthly monitoring of reporting requirements for changes to ownership or contact information
- Assist company with required reporting updates for changes with FinCEN

DISCLAIMER: This client advisory is for general information purposes only. It does not constitute tax or legal advice, and may not be used and relied upon as a substitute for tax or legal advice regarding a specific issue or problem. Advice should be obtained from a qualified tax practitioner or attorney licensed to practice in the jurisdiction where that advice is sought. Information provided here does not constitute a formal agreement for Basepoint Tax & Accounting to meet your compliance and reporting requirements regarding the Corporate Transparency Act.