



Featured News

ALERT

FEDERAL LAW COMPLIANCE REQUIREMENT

Beginning January 1, 2024, the Corporate Transparency Act (the “CTA”), enacted by Congress as part of the Anti-Money Laundering Act of 2020, requires all “reporting companies” that do not fall under certain narrowly defined exemptions to report information concerning the entity and its “beneficial owners” to the United States Department of Treasury, Financial Crimes Enforcement Network (“FinCEN”). The purpose of this letter is to make you aware of the new CTA reporting requirements and provide you with resources to help you comply with such requirements.



INFORMATION TO BE REPORTED

A “reporting company” is a corporation, limited liability company, limited partnership or other entity created by the filing of a document with a Secretary of State or any similar office. Each reporting company, both new and old, that does not fall under an exemption will be required to comply with the CTA and its Beneficial Ownership Information (“BOI”) reporting requirements. BOI reports must be filed electronically through FinCEN’s BOI E-Filing System (<https://boiefiling.fincen.gov/>).

Each non-exempt reporting company must report background information regarding (i) the reporting company and (ii) its beneficial owners.

1. Reporting Company Information. The background information to be reported for a reporting company is (i) its legal name; (ii) any trade names or “doing business as” names; (iii) the address of its principal place of business in the United States; (iv) its jurisdiction of formation and (v) its IRS-issued taxpayer identification number.

2. Beneficial Owner Information. For each beneficial owner, the reporting company must report (i) the individual’s legal name; (ii) the individual’s date of birth; (iii)

the individual's residential address; (iv) an identifying number from the individual's driver's license, passport or other approved identification document; (v) the issuing jurisdiction of the identification document and (vi) an image of the identification document.

A "beneficial owner" is any entity or individual who, directly or indirectly, owns or controls twenty-five percent (25%) or more of the ownership interests of the reporting company **OR** exercises substantial control over the company. Individuals who are deemed to exercise substantial control over the company include, but are not limited to, senior officers and any individual who directs, determines or has substantial influence over decisions concerning the company's business, finances and/or structure. In short, each reporting company must report information on each of its owners, officers, directors and any other individual with substantial decision-making authority or control.

EXEMPTIONS

There are a number of entities that are exempt from the new reporting requirements. Most notably, **an exemption exists for "large operating companies"** that (i) employ more than twenty (20) full time employees; (ii) filed, in the previous year, federal income tax returns in the United States demonstrating more than Five Million Dollars (\$5,000,000) in gross receipts or sales **and** (iii) have an operating presence at a physical office within the United States. The remainder of the exempt entities are primarily those which are already subject to state and federal regulations, such as banks, federal credit unions, bank holding companies, money transmitting businesses, securities brokers and dealers, insurance companies, public utilities, public accounting firms and tax exempt entities.

FILING DEADLINES AND PENALTIES

For companies formed prior to January 1, 2024, the company's initial beneficial ownership information report ("**BOI Report**") must be filed on or before January 1, 2025. Companies formed after January 1, 2024, and before January 1, 2025, must file their initial BOI Report within ninety (90) days of the company's formation. Companies formed after January 1, 2025 must file their initial BOI Report within thirty (30) days of the company's formation. Although there is not an annual reporting obligation thereafter, each reporting company must file an updated BOI Report within thirty (30) days of any changes to the previously reported information. Penalties of up to \$10,000 and up to two years in prison may be applicable for failure to report complete or updated data to FinCEN.

NEXT STEPS

We recommend that you carefully consider whether your entity is required to file BOI Reports. If so, you should begin to identify the company's beneficial owners and to collect the information described above with respect to such beneficial owners. We would of course be happy to answer any questions that you may have concerning the reporting requirements and to assist you with the preparation and filing of any required BOI Reports. If you would like this office to assist you in the filing of a BOI Report, please contact our office and we would be happy to provide the appropriate assistance.

Further, although we have endeavored to provide you with a general overview of the new requirements, additional information can be obtained through FinCEN's Small Entity Compliance Guide available at www.fincen.gov/boi/small-entity-compliance-guide.

Please do not hesitate to contact us at (925) 944-9700 with any questions or to discuss this further.



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