

Small Businesses Now Required to Report Beneficial Ownership Identifying Information to FinCEN

As of January 1, 2024, The Corporate Transparency Act and related Treasury Regulations require certain businesses to disclose information about their Beneficial Owners (any individual who directly or indirectly controls an entity or who owns or controls 25% or more of the equity of an entity) to the Financial Crimes Enforcement Network (FinCEN).

Corporations, Limited Liability Companies, and other entities formed by making a filing with a Secretary of State or similar office are covered by the disclosure requirements. Large companies that (i) employ more than 20 employees in the U.S., (ii) have a physical office in the U.S., and (iii) have more than \$5M in gross receipts or sales in the U.S. are exempt from the reporting requirements. Other exemptions, including exemptions for publicly traded companies and tax exempt entities, are listed under 31 CFR §1010.380(c)(2).

The purpose behind the requirement is to combat money laundering, terrorism financing, and other illicit activity through the creation of shell companies.

Requirements

The filing must be made through the FinCEN website at: <https://www.fincen.gov/boi> by the following deadlines:

- **If the entity was created or registered before January 1, 2024**, the initial filing deadline is not later than January 1, 2025.
- **If the entity was created or registered on or after January 1, 2024 and before January 1, 2025**, the initial filing deadline is 90 calendar days of formation or registration.
- **If the entity was created or registered on or after January 1, 2025**, the initial filing deadline will be 30 days of formation or registration

If any information about the entity or Beneficial Owners changes after the initial report is filed with FinCEN, the entity will need to make an amended filing within 30 days of the change.

Failure to file may result in a civil fine of \$500 per day and a criminal penalty of up to \$10,000 and imprisonment for up to 2 years.

Identifying Information

The identifying information about the entity that must be disclosed to FinCEN includes its Legal name, Trade name, Current Address, Jurisdiction of formation/ registration, and Tax Identification Number.

The identifying information about the defined beneficial owners who own or control the entity and the defined company applicants who form or register such entity that must be disclosed to FinCEN includes their Legal name, Date of birth, Current address, and Government ID showing the individual's identifying number and image.