



## FACT SHEET

# Corporate Transparency Act Entity Beneficial Ownership Information Reporting Obligation

**BACKGROUND:** Congress, pursuant to enacting the Corporate Transparency Act on January 1, 2021, empowered the U.S. Department of Treasury's Financial Crimes Enforcement Network ("FinCEN") to create a business entity national beneficial ownership registry with the aim of clamping down on companies which engage in illegal activities such as money laundering and financing terrorism. FinCEN has since promulgated rules which took effect on January 1, 2024, mandating certain business entities file a beneficial ownership information ("BOI") report. Outlined in this fact sheet is an overview of the major facets of the newly enacted rules.

## Who is Required To file?

Any business entity defined as a Reporting Company. A Reporting Company is defined as a business entity, whether formed in the United States or in a foreign country, which is registered to do business in the United States with any state's Secretary of State (or analogous office), and which does not qualify for an exemption.

## Who is a Beneficial Owner?

**A Beneficial Owner is any individual who directly or indirectly:**

- 1** Exercises Substantial Control over a Reporting Company, or
- 2** Owns or controls at least 25% of the ownership interests of a Reporting Company.

A Reporting Company may have more than one Beneficial Owner.

**An individual is deemed to exercise Substantial Control over a Reporting Company if they meet any of the following criteria:**

- 1** Are a Senior Officer (President, CEO, General Counsel, COO, or anyone performing a similar function, regardless of title) of the Reporting Company
- 2** Possess the authority to appoint/remove Senior Officers or a majority of directors of the Reporting Company
- 3** Are an important decision-maker (i.e. make decisions regarding business strategy, corporate structure, finances) within the Reporting Company
- 4** Possess any other form of substantial control over the Reporting Company ("catch-all")

## Are There Any Exemptions from the Reporting Requirements?

Any business which qualifies for an exemption is not subject to the BOI reporting requirement. The Reporting Rule exempts twenty-three (23) specific types of entities from the reporting requirements, which can be found in the accompanying table.

### Exemptions from Beneficial Ownership Information (BOI) Reporting Requirement

EXEMPTION #	EXEMPTION SHORT TITLE
1	Securities reporting issuer
2	Governmental authority
3	Bank
4	Credit union
5	Depository institution holding company
6	Money services business
7	Broker or dealer in securities
8	Securities exchange or clearing agency
9	Other exchange or clearing agency
10	Investment company or investment adviser
11	Venture capital fund adviser
12	Insurance company
13	State-licensed insurance producer
14	Commodity Exchange Act registered entity
15	Accounting firm
16	Public utility
17	Financial market utility
18*	Pooled investment vehicle
19	Tax-exempt entity
20	Entity assisting a tax-exempt entity
21**	Large operating company
22	Subsidiary of certain exempt entities
23	Inactive entity

**\*An entity is a Pooled Investment Vehicle if:**

1. It is an investment company as defined in 15 USC 80a-3(a), or would be an investment company under that section but for the exclusion provided from that definition by paragraph (1) or (7) of 15 USC 80a-3(a); AND
2. Is operated or advised by a Bank, Credit Union, Broker or dealer in securities, investment company or investment adviser, or a venture capital fund adviser.

**\*\*An entity is a Large Operating Company if:**

1. It employs more than twenty (20) full time employees,
2. It has an operating presence at a physical office within the United States, and
3. It has filed a federal income tax or information return for the previous year demonstrating more than \$5,000,000 in gross receipts or sales.

## How and Where Are BOI Reports Filed?

BOI reports must be submitted electronically to a secure, online portal which can be found on the FinCEN website.

## When do BOI Reports Need to be Filed?

Reporting Companies in existence prior to January 1, 2024, have until December 31, 2024, to file an initial BOI report. Reporting Companies which are incorporated/formed after January 1, 2024, must file an initial BOI report within ninety (90) days of its incorporation/formation date; Reporting Companies which are incorporated/formed after January 1, 2025, must file an initial BOI report within thirty (30) days of its incorporation/formation date.

## What Information Must Be Reported?

If you've determined that your entity is required to file a BOI report, you'll need to report basic information about the entity, in addition to personal information for the entity's Beneficial Owners and (for entities formed after January 1, 2024) Company Applicants. This includes:

- The full legal name of the entity
- Any trade names (DBAs)
- Complete US address
- Jurisdiction of formation/incorporation
- Federal employer identification number (FEIN) or taxpayer identification number (TIN)

The required Beneficial Owner and Company Applicant information includes:

- Full legal name
- Date of birth
- Complete current residential address\*,
- Unique identification number and jurisdiction of issuance, and an image of a non-expired U.S. passport, driver's license, state, or tribal issued identification card, or, in the absence of any of the previous documents, a foreign passport.

*\*Company Applicants whose name appear on formation/incorporation documents solely on account of their role in the course of their business (e.g. paralegals) may report the entity's business address in lieu of their residential address.*

## What Happens if I Don't File a BOI Report?

Reporting Companies (and their Senior Officers) which fail to submit timely required BOI reports are subject to civil and criminal penalties. Penalties will also be levied upon those who willfully provide, or attempt to provide, fraudulent information on a BOI report. Penalties may include a \$500/day fine (for each day the violation continues) levied upon the entity and a \$10,000 fine and/or up to two years imprisonment levied upon Senior Officers.

If you have any questions about your company's status, or how to prepare and file your Report, please feel free to **contact us**.

This document is intended to alert impacted businesses of a new Federal filing requirement and offer an overview of the pertinent points thereof. It does not constitute legal advice; please consult a legal professional for advice specific to your organization.



36 Long Alley, Saratoga Springs, NY 12866

3hcs.com • info@3hcs.com

518-583-0639