

Corporate Transparency Act Facts

Unbeknownst to most U.S. tax professionals, and certainly their clients, the Corporate Transparency Act (“CTA”) was quietly enacted on January 1, 2021, requiring most existing or new corporations, limited liability companies (“LLCs”), and other entities created by registering with a State, to disclose their Ultimate Beneficial Owners (“UBOs”). Beginning January 1, 2024, these businesses must begin filing Beneficial Ownership Information (“BOI”) Reports with the Financial Crimes Enforcement Network (“FinCEN”). The CTA intends to deter money laundering, financing of terrorism, and the concealment of money for other illicit activities.

There are narrow exceptions that preclude a company from filing a BOI Report:

- ✓ Regulated companies (e.g., banks, credit unions, insurance companies, SEC reporting companies)
- ✓ Companies with more than 20 employees and greater than \$5 million in revenue; and,
- ✓ Dormant companies not engaged in a trade or business within the U.S., owned by U.S. persons.
- ✓ Tax-Exempt Entities

The BOI report requires all other companies (“reporting companies”) to disclose each owner with substantial control (i.e., greater than 25% of ownership or control), whether they hold the interest directly or indirectly. Minors, agents or nominees of the company, inheritors, or creditors of a company are NOT required to disclose such information. However, anyone who files documents to create these companies, such as a lawyer, CPA, or their staff, must also disclose their information.

There are narrow exceptions that preclude a company from filing a BOI Report:

- ✓ Full legal name
- ✓ Date of birth
- ✓ Current Address
- ✓ Unique identifying number and issuing jurisdiction (U.S. passport or driver’s license)
- ✓ Image of the document containing the identifying number.



For companies created prior to January 1, 2024, the BOI report must be filed by January 1, 2025. Newly created companies formed on January 1, 2024, and beyond only have 30 days to file a BOI report.

Failure to file a BOI report can mean substantial penalties – \$500 per day up to \$10,000, and even 2 years in jail. Accordingly, prudent business owners will likely leave these filings to the pros, their accountants, or attorneys. Otherwise, these business owners risk penalties for “willful” failure to file information with FinCEN. Many tax professionals are familiar with the Foreign Bank Account Report or FBAR, which FinCEN also administers – and the hefty penalties for failure to do so.

The new BOI filing stands to catch many U.S. tax and legal professionals flat-footed – and because it is an informational filing, not a tax filing, the trusty CPA may kick the can on these reports, leaving their clients to fend for themselves. Facing up to \$10,000 in penalties and potential jail time, this is not a report owners wish to skip out on.

FileForms is uniquely positioned to assist tax and legal professionals and their clients in complying with new informational reporting requirements promulgated by the CTA. FileForms has streamlined the BOI filing process for domestic and foreign reporting companies. A simple questionnaire lets business owners quickly determine if they are subject to this new filing requirement. With just a few clicks, business owners can ensure they are in compliance with the CTA – and avoid costly penalties. Please visit www.FileForms.com for more information.

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