



License and Registration Please... Sweeping New Reporting Requirements Every LLC Owner Needs to Know About

Many families that we work with have created LLC's, LP's, corporations or other legal entities for business or personal reasons. In addition to legal protection, these entities have sometimes provided the comfort of anonymity. Unfortunately, new legislation that has gone into effect January 1, 2024, is saddling owners of such entities with stringent reporting requirements and substantial penalties for failure to comply.

The Corporate Transparency Act (CTA) was enacted as part of the National Defense Act for Fiscal Year 2021. The CTA mandates that millions of legal entities are now required to report their beneficial ownership information (BOI) to the Financial Crimes Enforcement Network (FINCEN). As advisors, we would like to make you aware of these new compliance obligations but also warn you that these rules are both complex and evolving as FINCEN is still determining some of the details on how to enforce this law. The summary below is only meant to be a high-level overview of the law and may be missing material elements of how the law will be enforced as future guidance is issued by FINCEN so we strongly encourage you to seek legal advice on how the CTA and its filing requirements may apply to you. In the meantime, please feel free to reach out to your TFO Wealth Partners engagement team with any questions.

WHO IS REQUIRED TO REPORT UNDER THE CTA'S BOI REPORTING REQUIREMENT?

- » All domestic and foreign entities that have filed formation or registration documents with a U.S. state (or Indian tribe) such as articles of organization, articles of incorporation, partnership agreements, etc., unless they meet one of 23 enumerated exceptions including:
 - EXEMPT: Large operating entities that meet all the following criteria:
 - Employs more than 20 people in the U.S.
 - Had gross revenue (or sales) over \$5 million on the prior year's tax return
 - Has a physical office in the U.S.
 - EXEMPT: Tax-exempt entities
 - EXEMPT: Banks, financial institutions, accounting firms, and certain other regulated entities

WHEN MUST COMPANIES FILE INITIAL REPORTS?

- » **New entities (created/registered after 12/31/2023)** – must file within 90 days
- » New entities (created/registered after 12/31/2024) – must file within 30 days
- » **Existing entities (created/registered before 01/01/2024)** must file by 01/01/2025
- » Reporting companies that have changes to previously reported information or discover inaccuracies in previously filed reports must file within 30 days

WHAT TYPES OF INFORMATION DO COMPANIES NEED TO REPORT?

- » Each company must report the information below:
 - Full legal name of the reporting company and any trade or Doing Business As ("DBA") names
 - Business address
 - State or Tribal jurisdiction of formation or registration
 - IRS Tax Identification Number
- » In addition, each reporting company must report the following details on its beneficial owners and, for newly created entities, its company applicant(s):
 - Name
 - Birthdate
 - Address
 - Unique identifying number and issuing jurisdiction from an acceptable identification document (and image of such document such as a passport or driver's license)

WHO IS A BENEFICIAL OWNER?

- » An individual who, directly or indirectly, either:
 - Exercises substantial control over a reporting company, or
 - Owns or controls at least 25% of the ownership interests of a reporting company

WHAT ARE THE TAXPAYER PENALTIES FOR NONCOMPLIANCE WITH THE STATUTE?

- » Civil penalties are up to \$500 per day, per entity that a violation continues
- » Criminal penalties include a \$10,000 fine and/or up to two years of imprisonment

WHERE CAN I LEARN MORE?

You can find guidance materials and additional information by visiting www.fincen.gov/boi

WHAT ACTIONS SHOULD I TAKE?

New entities formed in 2024 must comply with the CTA within 90 days. Make sure that the attorney or law firm forming the entity is also taking the necessary steps to make the entity compliant with the CTA.

Sources: Financial Crimes Enforcement Network – Beneficial Ownership Information website <https://www.fincen.gov/boi>

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