



BENEFICIAL OWNERSHIP REPORTING

February 23, 2024

Enacted as part of the 2021 National Defense Authorization Act and amending the Bank Secrecy Act, the Corporate Transparency Act (CTA) is intended to close a perceived information gap related to money laundering and other illicit acts.



The CTA requires reporting companies to self-report information to the Treasury Department's Financial Crimes Enforcement Network (FinCEN) about their beneficial owners and company applicants. Determining whether a company is considered a "reporting company" and whether an individual is considered a "beneficial owner" or a "company applicant" under the CTA is complex, and failure to comply with the CTA can result in civil or criminal penalties (or both).

For instance, the failure to comply with the statutorily mandated reporting timeframes regarding the filing of initial or updated reports could result in a \$500-per-day penalty (up to \$10,000) and up to two years of imprisonment. Additionally, any person who, without authorization, knowingly discloses or uses beneficial ownership information (BOI) can be fined \$500 per day (up to \$250,000) and imprisoned for up to five years.



Summary

As part of the effort of the United States to prevent concealment of assets through shell companies or other similar structures, the Corporate Transparency Act (31 U.S.C. § 5336) and its accompanying regulations (collectively, the CTA), require beneficial ownership information (BOI) reporting by certain entities, characterized as reporting companies. Effective January 1, 2024, many companies, likely including many MillerMusmar CPAs clients, will be required to report information electronically regarding their beneficial owners to the Financial Crimes Enforcement Network of the U.S. Treasury Department (FinCEN), through a secure filing system on FinCEN's website.

For companies created or registered prior to January 1, 2024, reporting is required by January 1, 2025. For companies created or registered on or after January 1, 2024, and before January 1, 2025, reporting is required within 90 calendar days of the earlier of receiving actual or public notice that the company's creation/registration is effective. Updates to such reporting will also be required, and entities and individuals may be subject to civil or criminal penalties due to lack of compliance with the CTA.

Nearly All Small Businesses Must File a Report

Over the last two years, FinCEN clarified many issues through subsequent rulemaking and provided a helpful Small Entity Compliance Guide on beneficial ownership information reporting. During this time, it became more clear which entities must file a Beneficial Ownership Information (BOI) report: nearly all small businesses. In fact, FinCEN estimates that more than 32 million entities will be required to file a BOI report in the first year of the program.

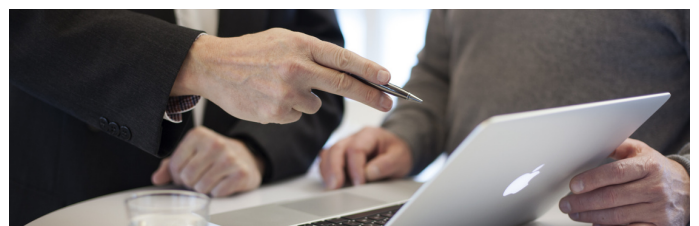


1. DOES MY COMPANY HAVE TO REPORT ITS BENEFICIAL OWNERS?

While certain types of entities are exempt, if you are a small corporation or LLC, you will likely be required to report your beneficial ownership information to FinCEN. A key factor in determining whether your company will have to report is whether you had to file a document with your state's secretary of state or a similar office to create your company or, for foreign companies, register it to do business in the United States.

2. WHO IS THE BENEFICIAL OWNER OF MY COMPANY?

A beneficial owner is any individual who exercises substantial control over your company, or who owns or controls at least 25 percent of your company.



3. DOES MY COMPANY HAVE TO REPORT ITS COMPANY APPLICANTS?

There can be up to two individuals who qualify as company applicants — (1) the individual who directly files the document that creates, or first registers, the reporting company; and (2) the individual that is primarily responsible for directing or controlling the filing of the relevant document. Your company is only required to report its company applicants if it is created or registered on or after January 1, 2024.

4. WHAT SPECIFIC INFORMATION DOES MY COMPANY NEED TO REPORT?

A reporting company will need to provide: (1) its legal name and any trade name or DBA; (2) its address; (3) the jurisdiction in which it was formed or first registered, depending on whether it's a U.S. or foreign company; and (4) its Taxpayer Identification Number (TIN). For each of your company's beneficial owners and each company applicant (if required), your company will need to provide the individual's: (1) legal name; (2) birthdate; (3) address (in most cases, a home address); and (4) an identifying number from a driver's license, passport, or other approved document for each individual, as well as an image of the document that the number is from.

5. WHEN AND HOW SHOULD MY COMPANY FILE ITS INITIAL REPORT?

If your company already exists as of January 1, 2024, it must file its initial BOI report by January 1, 2025. If your company is created or registered to do business in the United States on or after January 1, 2024, and before January 1, 2025, it will have 90 calendar days after receiving actual or public notice that the company's creation or registration is effective to file its initial BOI report. If your company is created or registered on or after January 1, 2025, it will have 30 calendar days from actual or public notice that its creation or registration is effective to file its initial BOI report.

6. WHAT IF THERE ARE CHANGES TO OR INACCURACIES IN REPORTED INFORMATION?

Your company will have 30 days to report any changes to reported information. For updates, the 30 days start from when the relevant change occurs. For corrections, the 30 days start after you become aware of, or have reason to know of, an inaccuracy in a prior report.

7. WHERE CAN I FIND ADDITIONAL INFORMATION ABOUT BOI?

Please see the website www.fincen.gov/boi for additional details on specific provisions and frequently asked questions (FAQs) about this new reporting requirement.



MILLERMUSMAR CPAS POSITION IN BOI REPORTING

Questions have been raised as to whether MillerMusmar CPAs will assist clients in preparing BOI reports. The BOI reporting requirements are mandated under Title 31 of the United States Code, "Money & Finance." Section 5336 of Title 31 includes the legal requirements of who must file, the exemptions from filing, and the information to be reported. The information to be reported on this form arises from determinations that are primarily legal in nature.

For a variety of reasons, including concerns regarding the potential for the unauthorized practice of law, MillerMusmar CPAs will not prepare these forms or assist clients in preparing these forms (e.g., compiling and/or transmitting data that a client has provided).

Some banks have been taking the lead on completing the BOI Report, so a simple solution that may work is to contact your business banker.

MILLERMUSMAR CPA PROFESSIONALS WILL CONTINUE TO MAKE THEIR CLIENTS AWARE OF THE NEW BOI REPORTING REQUIREMENTS. IF MILLERMUSMAR CPAS IS ASKED WHETHER WE CAN ASSIST WITH BOI REPORTS, WE WILL ADVISE OUR CLIENTS THAT WE DO NOT, AND WE WILL REFER OUR CLIENTS TO THEIR LEGAL COUNSEL. IF A CLIENT HAS LEGAL COUNSEL THAT IS UNABLE TO HELP, MILLERMUSMAR CPAS WILL BE PLEASED TO REFER YOU TO LEGAL COUNSEL THAT WILL ASSIST.

Don't try to fit into your small CPA firm if you've outgrown it!

If your CPA firm doesn't provide:

- ✓ Comparative analysis
- ✓ Mergers and acquisitions
- ✓ Cash flow forecasting
- ✓ Benchmarking
- ✓ Tax planning
- ✓ Leverage tax credits
- ✓ Specialize in business valuations

Your business has outgrown your CPA firm.

MillerMusmar CPAs is the right size for your business. We are a full-service CPA firm with more than 25 years of experience. We help businesses of all sizes solve complex challenges through proactive, forward-thinking solutions. And together with our BDO Alliance, we can meet requests of all sizes and locations.

Contact MillerMusmar CPAs today to find out why we're a great fit for you!

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