

Beginning Jan. 1, 2024, entities will have a new reporting requirement under the Corporate Transparency Act. The Beneficial Ownership (BOI) Rule requires certain domestic and foreign companies registered to do business in the U.S. to file reports with FinCEN that identify the entity's beneficial owners and the persons who applied to create or register the entity. FinCEN's Small Entity Compliance Guide provides 50 pages of guidance on the BOI reporting rule.

Reporting companies are those formed in the US or foreign companies doing business in the US, and they must report information about their beneficial owners to FinCEN.

- Reporting companies include domestic and foreign entities that register with the state such as corporations and Limited Liability Companies.
- Reporting companies that existed before December 31, 2023 must file a report by January 1, 2025. Companies formed or registered on or after January 1, 2024, must file within 30 days (90 days in 2024) of formation or registration.
- FinCEN's Small Entity Compliance Guide summarizes the rule's key aspects, including company types subject to reporting, exemptions, identifying beneficial owners, reporting company applicants, required information, filing timelines, and addressing information changes or inaccuracies.
- Exemptions exist for certain entities like public companies, financial institutions, tax exempt entities, and large operating companies with more than 20 fulltime employees working in the US, \$5,000,000 in gross receipts, and a physical place of business in the US.

Beneficial owners are individuals with substantial control or ownership interests of 25% or more in reporting companies, and various criteria define substantial control.

- Because of the substantial control test, a reporting company will have at least one reporting owner even if no individual owns 25% of the entity.
- Ownership interests include equity, stock, convertible instruments, options, and other mechanisms.

BOI reports need to include detailed information about beneficial owners and company applicants to FinCEN.

- Information must be updated within 30 days of any changes or when inaccuracies are discovered.
- The reporting process will be completed through a filing system that FinCEN is developing, with separate instructions and technical guidance to be published.

The BOI reporting rule takes effect on January 1, 2025, for existing reporting companies. New companies, entrepreneurs, venture funds, law firms and relevant parties should prepare for compliance beginning January 1, 2024. Please contact me if I can assist you with understanding this new reporting requirement or filing reports for you.