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Avoid Costly Fines: What You Need to Know About New Beneficial Ownership Reporting Rules

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In 2021, Congress passed the Corporate Transparency Act, requiring certain entities to report information on their owners and those who have a certain level of control over the entity, referred to as Beneficial Ownership Information (BOI). This law became effective January 1, 2024. For businesses created or registered BEFORE January 1, 2024, the deadline for initial reporting is December 31, 2024. For businesses created or registered AFTER January 1, 2024, the deadline for reporting is 90 days after registration.

One of the basic criteria for determining if the entity is required to report their BOI is if they are required to register with the Secretary of State. Entities registered with the Secretary of State are required to report their BOI. For example, LLCs, both multi-member and single-member, are required to report. Corporations, both S-and C- are required to report. General Partnerships are not required to report their BOI, as they do not register with the Secretary of State. A beneficial owner is an individual who owns at least 25% of the business or exercises substantial control over the business.

An individual has “substantial control” over an entity if they are any of the following: a senior officer, has authority to appoint or remove certain officers or a majority of directors of the entity, is an important decision-maker, or any other form of substantial control.

To complete the reporting, you will need the company information as well as all information, including the driver’s license (of which a photocopy will have to be submitted), for all beneficial owners. After the initial registration, if there are changes to the information you provided, such as a name change, new address, or updated driver’s license, you have 30 days to report the changes.

Current penalties for non-compliance include a \$591 per day fine and/or potential jail time.

It is not required to have a third party complete the reporting. However, you may choose to consult with your tax preparer or attorney to help address your entity’s specific reporting requirements.

For more information, please visit www.fincen.gov

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