

In 2021, Congress passed the Corporate Transparency Act on a bipartisan basis. This law creates a new beneficial ownership information reporting requirement as part of the U.S. government's efforts to make it harder for bad actors to hide or benefit from their ill-gotten gains through shell companies or other opaque ownership structures.. The Financial Crimes Enforcement Network (FinCEN) is going to require a filing called the Beneficial Ownership Information Report starting January 1, 2024.

The Feature Topic is a cursory review. If you would like more information on this, or any other topic previously covered in my newsletter, which can be viewed on [The Legal Strategist](#) tab of my web site, please contact my office at 713.526.1883.

Scott Barrett

FEATURE TOPIC: **Corporate Transparency Act / Beneficial Ownership**

Texas has its own Pledge of Allegiance: "Honor the Texas flag; I pledge allegiance to thee, Texas, one state under God, one and indivisible,"

Beginning January 1, 2024, the Corporate Transparency Act (CTA) will require most entities formed or registered to do business in the United States to disclose detailed information regarding their owners, officers, and control persons to the U.S. Department of the Treasury (Treasury) Financial Crimes Enforcement Network (FinCEN). Reports will need to be filed electronically through a secure, cloud-based system that is accessible only to federal law enforcement for specifically designated purposes at <https://www.fincen.gov/boi> . Entities formed after January 1, 2024, will have 90 days to file their initial reports in 2024, per a recently adopted revision to the rules in recognition of the complexity of this reporting requirement. After 2024, entities will have 30 days to report after formation, barring further regulatory proposals by FinCEN that could extend that timeline. Entities formed before January 1, 2024, will have until January 1, 2025, to make their initial filing.

### What companies will be required to report Beneficial Ownership Information to FinCEN?

Companies required to report are called *reporting companies*. There are two types of reporting companies:

- *Domestic reporting companies* are corporations, limited liability companies, and any other entities created by the filing of a document with a secretary of state or any similar office in the United States.
- *Foreign reporting companies* are entities (including corporations and limited liability companies) formed under the law of a foreign country that have registered to do business in the United States by the filing of a document with a secretary of state or any similar office.

### Are some companies exempt from the reporting requirements?

Yes, 23 types of entities are exempt from the beneficial ownership information reporting requirements. These entities include publicly traded companies meeting specified requirements, many nonprofits, and certain large operating companies, including entities with more than \$5M of revenue reported on their 2023 income tax return.

### What penalties do individuals face for violating BOI reporting requirements?

As specified in the Corporate Transparency Act, a person who willfully violates the BOI reporting requirements may be subject to civil penalties of up to \$500 for each day that the violation continues. That person may also be subject to criminal penalties of up to two years imprisonment and a fine of up to \$10,000. Potential violations include willfully failing to file a beneficial ownership information report, willfully filing false beneficial ownership information, or willfully failing to correct or update previously reported beneficial ownership information.

SB& A will not file these reports on our client's behalf. You can find out more via the links below:

[FinCEN Website - BOI](#)

[Beneficial Ownership Information Summary](#)

If you would like more information on this or any other topic covered in *The Legal Strategist*, please contact [Scott Barrett](#) to set up a consultation.