

KEY TAX INSIGHTS

LEGISLATION UPDATE NEWSLETTER

BENEFICIAL OWNERSHIP INFORMATION REPORT

Starting this year, most companies doing business in the US must report information about their beneficial owners (“**BOI**” or “**BOI report**”) to the US Department of Treasury’s Financial Crimes Enforcement Network (**FinCEN**). This requirement is based on the Corporate Transparency Act (“**CTA**”) enacted by Congress in 2021 to prevent money laundering, tax fraud, and other illicit activities.

What companies are required to file the report?

Generally, companies required to file the report are those formed in the US and foreign companies registered to do business in the US, which includes any state or territory¹ and Indian tribe territory. Currently, there are only 23 entities exempted from the reporting requirement².

When do companies need to file the report?

There are two deadlines to file the report depending on when the



company was formed. If the company was formed before January 1, 2024, it will have until January 1, 2025 to file its BOI report. If the company was formed on or after January 1, 2024, it has 90 calendar days after receiving actual or public notice of formation or registration to file the BOI report.

How do companies file the report?

The reports are filed through FinCEN’s E-Filing System, which is now available to any company that wants to file the report.

¹ Commonwealth of Puerto Rico, Commonwealth of the Northern Mariana Islands, American Samoa, Guam, and the US Virgin Islands.

² Securities reporting issuer; Governmental authority; Bank; Credit Union; Depository institution holding company; Money services business; Broker or dealer in securities; Securities exchange or clearing agency; Other Exchange Act registered entity; Investment company or investment adviser; Venture capital fund adviser; Insurance company; State-licensed insurance producer; Commodity Exchange Act registered entity; Accounting firm; Public utility; Financial market utility; Pooled investment vehicle; Tax-exempt entity; Entity assisting a tax-exempt entity; Large operating company; Subsidiary of certain exempt entities; Inactive entity.

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What information is required?

The report requires information about

- 1) the company itself;
- 2) the beneficial owners; and
- 3) the company applicants, for those companies formed on or after January 1, 2024.

A beneficial owner is any individual who, directly or indirectly,

- a) exercises substantial control over a reporting company or
- b) owns or controls at least 25% of the ownership interest of a reporting company.

A company applicant is an individual who is the "direct filer" or who "directs or controls the filing action".

What happens if the report is not filed?

The willful failure to report may result in civil or criminal penalties, including civil penalties of up to \$500 for each day that the violation continues, or criminal penalties including imprisonment for up to two years and/or a fine of up to \$10,000. Senior officers of a company that fail to file a required BOI report may be held accountable for that failure as well. If a person has reason to believe that a report filed with FinCEN contains inaccurate information and voluntarily submits a

report correcting the information within 90 days of the deadline for the original report, the Corporate Transparency Act creates a safe harbor from penalty.

Conclusion

As the deadline for companies formed this year is getting closer, we want to let you know the team at Basswood Counsel PLLC is prepared to assist you with this new compliance requirement. We have you covered.

Notice of Firm Name Change

We have long believed that the firm is larger than any one person and it is time for the name of the firm to reflect this value. **In 2024, the name of the firm will transition over time from Klug Counsel PLLC to Basswood Counsel PLLC.** The Basswood Tree is known as a symbol of unity, prosperity, versatility, and justice. The Basswood Tree is found all over the world and in some cultures important meetings and outdoor celebrations occur under the shade of a Basswood Tree. Pulling this all together and in line with our firm ideals, Basswood symbolizes that "we have you covered."

In order for the name change to proceed smoothly it will transition over time. There will be notifications when the official name change occurs with our new contact information. Should you contact us through the Klug Counsel contact information after the name change, we will still receive the messages so there will be no disruption to our clients as a result of the name change.

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