

## URGENT FOR ALL CORPORATIONS, LLC'S, & LIMITED PARTNERSHIPS

Dear Client,

**Starting in 2024** newly formed and existing, corporations, limited liability companies (LLCs), limited partnerships, and other entities that file/ed formation papers with a state's Secretary of State's office (or similar government agency) must file a report with the U.S. Treasury Department's Financial Crimes Enforcement Network (FinCEN) providing specified information regarding the entity's "**beneficial owners**." Entities in existence prior to January 1, 2024, have until January 1, 2025, to file these reports.

This is part of the federal government's anti-money laundering and anti-tax evasion efforts and is an attempt to look beyond shell companies that are set up to hide money. Unfortunately, this will impose burdensome reporting requirements on most businesses, and the willful failure to report information and timely update any changed information can result in significant fines of up to \$500 per day until the violation is remedied, or if criminal charges are brought, fines of up to \$10,000 and/or two years imprisonment. These penalties can be imposed against the beneficial owner, the entity, and/or the person completing the report.

**Beneficial owners** are broadly defined and involve owners who directly or indirectly own more than 25% of the entity's ownership interests or exercise substantial control over the reporting company (even if they don't actually have an ownership interest). While this may seem to only impact a few significant owners, it can encompass many senior officers of the business as well as those individuals who are involved in any significant business decisions (e.g., board members). Given the severity of the fines, it may be safer to err on the side of overinclusion rather than under-inclusion.

**For entities formed after 2023**, information will also have to be provided about the company applicants (the person who actually files the formation/registration papers and the person primarily responsible for directing or controlling the filing of the documents).

The types of information that must be provided (and kept current) for these beneficial owners include the owner's legal name, residential address, date of birth, and unique identifier number from a nonexpired passport, driver's license,

or state identification card. The entity will also have to provide an image of any of these forms of documentation to FinCEN for all beneficial owners.

Most entities must file these reports by January 1, 2025. However, **entities formed in 2024 will have 90 days from the entity's formation/registration to file these reports**. Entities formed after 2024 must file the report within 30 days of the entity's formation/registration.

Should any of the reported information change or a beneficial ownership interest be sold or transferred, the entity must report this information within 30 days of the change or face the potential of having the penalties described above imposed. Changes include reporting a beneficial owner's change of address or name, a new passport number when a passport is replaced or renewed, or providing a copy of a renewed driver's license.

**It's important that this be addressed as soon as possible for any entities formed in 2024** ... entities formed before January 1, 2024 can be addressed after the April 15, 2024 filing date.

Since many of the questions are of a legal nature, it is advised you **contact your legal** counsel with any questions/concerns (***I am not an attorney and if advising, could be considered practicing law which is forbidden***).

The FinCEN reporting resource page is at [www.fincen.gov/boi](http://www.fincen.gov/boi) and FAQ's at [www.fincen.gov/boi-faqs](http://www.fincen.gov/boi-faqs).