Beneficial Ownership Information (BOI) & the Corporate Transparency Act (CTA)

Resource Material

### **Summary**

January 1, 2024 the Beneficial Ownership Information (BOI) reporting went into effect. This reporting requirement is the result from the passage of the National Defense Authorization Act for Fiscal Year 2021, which included the Corporate Transparency Act (the CTA). This Act will affect every LLC, S Corporation, C Corporation, and any other entity required to be **“registered”** with their respective state. This act was developed to curve and expose illicit activity, money laundering, and concealment of ownership. Furthermore, this Act was developed to protect the United States and our National Security Interest.

The course will present tax professionals with up-to-date valuable knowledge on this act and how it will impact their practice and clients. In addition, we will provide a how to file the BOI reports either using FinCEN’s on line filing or by completing a pdf document and uploading at a later date on FinCEN’s website.

Finally, we will discuss the Instructors top FAQs.

**Learning Objective:**

* Evaluate what is the CTA.
* Explain **who must file**, **when they must file**, and **information** to provide.
* Define who are beneficial owners and company applicants.
* Layout what “Reporting Companies” need to submit.
* Portray which companies will be exempt from filing.
* Examine the Penalties associated with CTA.
* Deliver step by step instructions on filing the BOI reports for the CTA
* Provide an effective Resource Guide including engagement letters and client letters

**Information letter to Clients regarding Beneficial Ownership Information (BOI) and that your Firm will NOT be providing BOI reporting services**

**New Federal Reporting Requirement for Beneficial Ownership Information (BOI)**

We are writing to you regarding new reporting requirements for many businesses, which can include Single member and multi member LLC’s, C and S Corporations. Starting January 1, 2024, certain businesses will be required to comply with the Corporate Transparency Act (CTA) which includes the filing of Beneficial Ownership (BOI) reports. These reports will be administered by the Financial Crimes Enforcement Network (FinCEN) and establishes a database of companies’ beneficial ownership information to be used by law enforcement. This is not an Internal Revenue Service (IRS) issue.

There are significant penalties for missing filing deadlines, including criminal (fines and /or imprisonment) or civil (monetary) penalties. There is a $500 per day penalty, up to $10,000, and imprisonment of up to two years for the **WILLFUL** failure to timely file initial or updated reports.

Assisting with compliance and or filing of the CTA, including BOI reporting, **is not within the scope of services we provide.** It will be your exclusive responsibility to comply with CTA, including its BOI reporting requirements. Information can be found at **https://www.fincen.gov/boi**. Please consult with legal counsel on additional questions and or concerns regarding how BOI reporting requirements and issues effects your company.

As stated previously, compliance with the CTA, including the BOI reporting applies to most businesses including single member LLCs, which are treated as a disregarded entity for income tax reporting. A disregarded entity does not have a filing requirement with the Internal Revenue Service.

Finally, we wish to emphasize that we are sending you this letter to make you aware of these new current reporting requirements, associated risks, and suggest you contact legal counsel to assist you with the CTA and related BOI filings for entities that you own or control.

Sincerely,

My Tax Practice

**Information letter to Clients regarding Beneficial Ownership Information (BOI) filings, regardless if your office plans on assisting your client with the BOI**

**New Federal Reporting Requirement for Beneficial Ownership Information (BOI)**

This letter is to make you aware of reporting requirements that go into effect on **January 1, 2024,** that may require your business entity to report its beneficial ownership information to the Federal government.

Beginning on January 1, 2024, many companies in the United States will have to report information about their beneficial owners, i.e., the individuals who ultimately own or control the company. They will have to report the information to the Financial Crimes Enforcement Network (FinCEN). FinCEN is a bureau of the U.S. Department of the Treasury.

**NOTE:** This will be a **free** filing that companies can complete themselves. Be wary of official-looking mail from a third-party company offering to complete the beneficial ownership reporting on behalf of your company for a fee.

**Do I Need to Report?**

**Most businesses are small businesses that may need to file.** Your company may need to report information about its beneficial owners if it is:

1. A corporation, a limited liability company (LLC), or was otherwise created in the United States by filing a document with a secretary of state or any similar office under the law of a state or Indian tribe; or
2. A foreign company and was registered to do business in any U.S. state or Indian tribe by such a filing.

**How Do I Report?**

Reporting companies will have to report beneficial ownership information electronically through FinCEN's website: [www.fincen.gov/boi](http://www.fincen.gov/boi).

**When Do I Report?**

* Reports will be accepted starting on January 1, 2024.
* If your company was created or registered before January 1, 2024, you will have until January 1, 2025, to report BOI.
* If your company is created or registered on or after January 1, 2024 and before January 1, 2025, you must report BOI within 90 days of notice of creation or registration.
* If your company is created or registered on or after January 1, 2025 you must report BOI within 30 days of notice of creation or registration.
* If there is ***any change*** to the required information about your company or its beneficial owners in a BOI report that your company filed, your company must file an updated BOI report no later than 30 days after the date on which the change occurred. The same 30-day timeline applies to changes in information submitted by an individual in order to obtain a FinCEN identifier. A reporting company is not required to file an updated report for any changes to previously reported personal information about a company applicant.

There are significant penalties for missing filing deadlines, including criminal (fines and /or imprisonment) or civil (monetary) penalties. There is a $500 per day penalty, up to $10,000, and imprisonment of up to two years for the **WILLFUL** failure to timely file initial or updated reports.

It will be your exclusive responsibility to comply with CTA, including its BOI reporting requirements. Information can be found at **https://www.fincen.gov/boi**. Please consult with legal counsel on additional questions and or concerns regarding how BOI reporting requirements and issues effects your company.

Finally, we wish to emphasize that we are sending you this letter to make you aware of these new current reporting requirements, associated risks, and suggest you contact legal counsel to assist you with the CTA and related BOI filings for entities that you own or control.

Sincerely,

My Tax Practice

**Minimum language to be used in all tax preparation (1040, 1065, 1120S, and 1120) engagement letters:**

Please be aware there are specific new reporting requirements involving certain types of companies regarding compliance with the Corporate Transparency Act (CTA), including Beneficial Ownership Information (BOI) reporting. Aiding with this compliance is **Not** within the scope of this engagement letter.

**(Remember, this language should be placed in your regular engagement letter for the preparation of appropriate income tax returns, i.e. Forms 1040, 1065, 1120S, or 1120)**

**Additional language to be used with the above in all tax preparation (1040, 1065, 1120S, and 1120) engagement letters:**

Our firm will **Not** assist with any BOI reporting. Furthermore, our firm will assume **No** liability stemming from your neglect on not filing this BOI report.

For additional information, please see *https:/www.fincen.gov/boi* and /or contact legal counsel.

**Basic Sample Engagement Letter for preparing Beneficial Ownership Information (BOI) reports of U.S. formed companies: (legal review of this document before use is highly recommended)**

**General Engagement Letter for Beneficial Ownership Information (BOI) reports of United States formed companies**

**This engagement letter is to inform you, the taxpayer, of the services we will provide you, and the responsibilities you have for preparation of the BOI report.**

Starting on January 1, 2024, BOI reports must be filed electronically using FinCEN’s secure filing system. FinCEN will store BOI reports in a centralized database and only share this information with authorized users for purposes specified by law. The database will use rigorous information security methods and controls typically used in the Federal government to protect non-classified yet sensitive information systems at the highest security level. **\_\_\_\_\_Initial**

Reporting companies created or registered to do business before January 1, 2024,will have additional time — until January 1, 2025 — to file their initial BOI reports. **\_\_\_\_\_Initial**

Reporting companies created or registered on or after January 1, 2024, and before January 1, 2025, have 90 calendar days after receiving actual or public notice that their company’s creation or registration is effective to file their initial BOI reports. Specifically, this 90-calendar day deadline runs from the time the company receives actual notice that its creation or registration is effective, or after a secretary of state or similar office first provides public notice of its creation or registration, whichever is earlier. **\_\_\_\_\_Initial**

Reporting companies created or registered on or after January 1, 2025, will have 30 calendar days from actual or public notice that the company’s creation or registration is effective to file their initial BOI reports. **\_\_\_\_\_Initial**

***Tax Return Preparation***

We will prepare your **BOI report** based on information you provide. Services for preparation of your return do not include auditing or verification of information provided by you.

Our fee will be based upon the amount of time expended plus out-of-pocket expenses. However, a minimum fee of $ XXX.XX we be charged for preparation of this BOI Report. Payment for these services will be due upon receipt. **\_\_\_\_\_Initial**

Any information provided to our office will be treated as confidential and is subject to disclosure by our firm only at your request or when required by law or regulatory matters.

***Taxpayer Responsibilities***

You agree to providing our office with the following information concerning your applicable Reporting Company, which can include a Single Member LLC, Multi Member LLC, S & C Corporation and any company created by the filing of a document with a secretary of state or any similar office under the law of a State or Indian tribe. Filing a document with a government agency to obtain (1) an IRS employer identification number, (2) a fictitious business name, or (3) a professional or occupational license does not create a new entity, and therefore does not make a sole proprietorship filing such a document a reporting company. **\_\_\_\_\_Initial**

* Reporting Company **\_\_\_\_\_Initial**
  + Full legal name
  + Any and all trade name or “doing business as” (DBA) name
  + Complete current U.S. address
  + State, Tribal, or foreign jurisdiction of formation
  + Internal Revenue Service (IRS) Taxpayer Identification Number (TIN)
* Beneficial Owner **\_\_\_\_\_Initial**
  + Full legal name
  + Date of birth
  + Complete current address (residential, no P.O. Boxes)
  + Unique identifying number with image
    - State Driver’s License
    - U.S. Passport
    - ID document issued by a state, local government, or tribe
    - If none of the above, then foreign passport
* Company Applicant (‘Reporting Company’ formed January 1, 2024 or thereafter) **\_\_\_\_\_Initial**
  + Full legal name
  + Date of birth
  + Complete current address (residential, no P.O. Boxes)
  + Unique identifying number with image
    - State Driver’s License
    - U.S. Passport
    - ID document issued by a state, local government, or tribe
    - If none of the above, then foreign passport

**Updates or Corrections**

If there is ***any change*** to the required information about your company or its beneficial owners in a BOI report that your company filed, your company must file an updated BOI report no later than 30 days after the date on which the change occurred. The same 30-day timeline applies to changes in information submitted by an individual in order to obtain a FinCEN identifier. A reporting company is not required to file an updated report for any changes to previously reported personal information about a company applicant. **\_\_\_\_\_Initial**

**Furthermore, the following must be reported to our office no later than 10 days after a particular change so we can file the updated report within 30 days to FinCEN. Some likely triggers and or examples (not inclusive) of the changes that would require an updated beneficial ownership information report:**

* Any change to the information reported for the reporting company, such as registering a new business name, trade name or DBA. **\_\_\_\_\_Initial**
* A change in beneficial owners, such as a new CEO, or a sale that changes who meets the ownership interest threshold of 25 percent, or the death of a beneficial owner. **\_\_\_\_\_Initial**
* Note: When a beneficial owner dies, resulting in changes to the reporting company’s beneficial owners, report those changes within 30 days of when the deceased beneficial owner’s estate is settled. The updated report should, to the extent appropriate, identify any new beneficial owners. **\_\_\_\_\_Initial**
* Any change to a beneficial owner’s name, address, or unique identifying number previously provided to FinCEN. **\_\_\_\_\_Initial** Furthermore, if a beneficial owner obtained a new driver’s license or other identifying document that includes a changed name, address, or identifying number, the reporting company also would have to file an updated beneficial ownership information report with FinCEN, including an image of the new identifying document. **\_\_\_\_\_Initial**
* Keep in mind the update requirement related to the special reporting rule for a minor child. When a beneficial owner that was a minor child reaches the age of majority, you must file an updated BOI report, identifying the individual as a beneficial owner and, if warranted, replacing their parent or legal guardian’s information with their own. **\_\_\_\_\_Initial**

If an inaccuracy is identified in a BOI report that your company filed, your company must correct it no later than 30 days after the date your company became aware of the inaccuracy or had reason to know of it. This includes any inaccuracy in the required information provided about your company, its beneficial owners, or its company applicants. The same 30-day timeline applies to inaccuracies in information submitted by an individual in order to obtain a FinCEN identifier. **\_\_\_\_\_Initial**

Finally, our firm assumes no liability stemming from your neglect on not providing applicable information as detailed above for filing the BOI report. **\_\_\_\_\_Initial**

**Signatures.** By signing below, you acknowledge that you have read, understand, and accept your obligations and responsibilities and that you understand our responsibilities in preparing your BOI report as explained above.

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**Taxpayer Signature Title Printed Name**

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**Date Phone Number email address**