

## NEW FEDERAL REPORTING REQUIREMENT FOR SMALL BUSINESSES EFFECTIVE JANUARY 1, 2024

In early 2021, Congress passed the Corporate Transparency Act to help law enforcement agencies trace concealed assets as part of criminal investigations. The centerpiece of this legislation is a database of corporate ownership information to be maintained by the Financial Crimes Enforcement Network (FinCEN), a division of the U.S. Treasury Department.

Beginning January 1, 2024, certain businesses operating in the U.S., termed “reporting companies” under the law, must file a report with FinCEN providing some basic demographic information about the business, its owners, and corporate officers (termed “beneficial ownership information” (BOI)). For businesses that were formed prior to January 1, 2024, the deadline to file the initial report is January 1, 2025. However, for any business formed on or after January 1, 2024, the deadline to file the initial report is within 90 calendar days of registering the business. Updates to these reports are also required if there are changes related to the reported information of either the business or the owners and officers. Companies and individuals could face sanctions for willful noncompliance with these reporting requirements, including civil penalties of \$591 per day and potential criminal fines of \$10,000 and up to 2 years imprisonment.

FinCEN has compiled a list of Frequently Asked Questions (FAQs) providing guidance on the beneficial ownership reporting requirements. These FAQs cover everything from which entities are required to report information, which ones are exempt, how to identify beneficial owners, and the specific information that must be reported. FinCEN has also created a secure filing system accessible through their website for purposes of submitting the required information and documentation. This information can be found at <https://www.fincen.gov/boi>.

FinCEN expects many small business owners will be able to file this information on their own based on the provided guidance in the FAQs. In some instances where there is more complexity to corporate structuring, professional guidance may be needed. For a number of reasons, including concerns about whether advising on this matter could constitute the unauthorized practice of law, BatesCarter will not prepare or submit BOI information for our clients. We are happy to provide our clients with resources to obtain additional information on the reporting requirements as well as referrals to legal counsel that is knowledgeable in this area of practice.

If you have any general questions on this matter, please reach out to the partner in charge of your engagement at (770) 532-9131.