

Beneficial Ownership Information Reporting

Frequently Asked Questions

WHY IS BENEFICIAL OWNERSHIP REPORTING BEING INTRODUCED?

The purpose of beneficial ownership information reporting (BOIR) is ultimately to avoid the creation of anonymous shell companies to help prevent money laundering and other financial crimes by requiring those with control over businesses or legal entities to provide identifying information.

Because few U.S. states require companies to disclose information about their beneficial owners, criminals and corrupt officials can hide their identities and launder money through the U.S. via shell companies. By requiring entities to report information about their beneficial owners to FinCEN, the Corporate Transparency Act aims to safeguard the U.S. financial system.

WHAT ARE THE GENERAL DETAILS OF THE NEW FILING REQUIREMENTS?

BOIR requires reporting companies to disclose information regarding both the company and its beneficial owners. If an organization meets one of the twenty-three exemptions, it will not have a BOIR filing requirement. Due dates for filing an initial BOI report vary based on when the company was legally organized. Significant civil and criminal penalties exist for those that fail to comply with BOIR. Companies will file their BOI reports with FinCEN using their secure filing system and have the option to either complete a fillable PDF to be uploaded or enter the information through a web browser.

WHICH COMPANIES HAVE A BOI REPORTING REQUIREMENT (BOIR)?

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

- **Domestic reporting companies** - Corporations, LLCs, partnerships, and most other legal entities registered to do business in the U.S.
- **Foreign reporting companies** - Entities (including corporations, LLCs, partnerships, etc.) formed under the law of a foreign country that have registered to do business in the U.S. by the filing of a document with a secretary of state or any similar office.

WHO ARE THE BENEFICIAL OWNERS OF MY COMPANY?

If your company is a reporting company, your next step is to identify the beneficial owners.

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

- Exercises **substantial control** over a reporting company
- OR**
- **Owns or controls at least 25%** of the reporting company

WHO IS CONSIDERED TO EXERCISE SUBSTANTIAL CONTROL?

Reporting companies are required to identify **all** individuals who exercise substantial control over the company. There is no limit to the number of individuals who can be reported for exercising substantial control.

An individual exercises substantial control over a reporting company if the individual meets **any** of four general criteria:

1. the individual is a senior officer
2. the individual has authority to appoint or remove certain officers or a majority of directors of the reporting company
3. the individual is an important decision-maker, or
4. the individual has any other form of substantial control over the reporting company.

SENIOR OFFICER

Any individual holding the position or exercising the authority of a:

1. President
2. Chief Financial Officer (CFO)
3. General Counsel (GC)
4. Chief Executive Officer (CEO)
5. Chief Operating Officer (COO)

or any other officer, regardless of official title, who performs a similar function as these officers.

APPOINTMENT OR REMOVAL AUTHORITY

Any individual with the ability to appoint or remove any SENIOR OFFICER or a majority of the board of directors or similar body.

IMPORTANT DECISION-MAKER

Any individual who directs, determines, or has substantial influence over important decisions made by the reporting company, including decisions regarding the reporting company's

1. Business, such as:

- Nature, scope, and attributes of the business
- The selection or termination of business lines or ventures, or geographic focus
- The entry into or termination, or the fulfillment or non-fulfillment, of significant contracts

2. Finances, such as:

- Sale, lease, mortgage, or other transfer of any principal assets
- Major expenditures or investments, issuances of any equity, incurrence of any significant debt, or approval of the operating budget

3. Structure, such as:

- Reorganization, dissolution, or merger
- Amendments of any substantial governance documents of the reporting company, including the articles of incorporation or similar formation documents, bylaws, and significant policies or procedures

CATCH-ALL

Any other form of substantial control over the reporting company. Control exercised in new and unique ways can still be substantial. For example, flexible corporate structures may have different indicators of control than the indicators included here.

HOW TO DETERMINE WHO OWNS OR CONTROLS 25% OR MORE OF THE COMPANY?

Reporting companies are required to identify **all** individuals who directly or indirectly own or control at least 25 percent of the ownership interests of the company. A reporting company may have multiple types of ownership interests that must be considered for BOI purposes (equity, stock, voting rights, capital or profits interest, etc.).

WHICH COMPANIES ARE EXEMPT?

There are 23 types of entities that are exempt from the reporting requirements. [Click here](#) to take a short questionnaire to help determine whether your organization is exempt.

An entity that qualifies for any of these exemptions is **NOT** required to submit BOI reports to FinCEN.

Some common exemptions include:

- Governmental authority (Exception #2)
- Tax-exempt entity (Exception #19)
- Large operating company (Exception #21) - [All six criteria must be met:](#)
 1. Entity employs more than 20 full time employees (FTE = avg. of at least 30 hrs/week)
 2. More than 20 full-time employees of the entity are employed in the U.S.
 3. Entity has an operating physical office within the U.S.
 4. The entity filed a Federal income tax or information return in the U.S. for the previous year demonstrating more than \$5,000,000 in gross receipts or sales
 5. The entity reported this greater-than-\$5,000,000 amount as gross receipts or sales (net of returns and allowances) on the entity's Form 1120, Form 1120-S, Form 1065, or other applicable IRS form
 6. If the entity has gross receipts or sale from sources outside the U.S., when those gross receipts are excluded from the entity's gross receipts or sales the amount remains greater than \$5,000,000

IF MY COMPANY HAS A REPORTING REQUIREMENT, WHAT INFORMATION SHOULD I COLLECT?

Reporting companies will need to collect and disclose the following information on behalf of the company and its beneficial owners.

Company Information

- Full legal name and any trade name or "doing business as" name
- Complete current U.S. address
- State of formation
- IRS tax identification number

Beneficial Owner Information

- Full legal name
- Date of birth
- Complete current address
- Unique identifying number and issuing jurisdiction from, and image of, one of the following non-expired documents:
 - U.S. passport
 - State driver's license
 - ID document issued by a state, local government, or tribe

WHEN SHOULD MY COMPANY FILE ITS INITIAL BOI REPORT?



The reporting requirement became effective on January 1, 2024, and FinCEN is now accepting beneficial ownership information reports.

Initial Report

All reporting companies that do not meet an applicable exemption must file an initial report. The due date for this initial report varies based on when the reporting company was originally organized.

Existing Reporting Companies

Created or registered to do business in the United States before January 1, 2024.

Reports due by **January 1, 2025**

New Reporting Companies

Created or registered to do business in the United States on or after January 1, 2024.

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.

Reporting companies created or registered **on or after January 1, 2025**, will have **30 calendar days** from receipt of actual or public notice that their creation or registration is effective to file their initial BOI reports.

WHAT HAPPENS IF MY COMPANY DOES NOT COMPLY WITH BOIR?

The willful failure to report beneficial ownership information to FinCEN may result in civil or criminal penalties (imprisonment for up to two years and/or a fine up to \$10,000). Senior officers of an entity that fails to file a required BOI report may be held accountable for that failure.

HOW IS BENEFICIAL OWNERSHIP INFORMATION REPORTED?

Beneficial ownership information is reported to FinCEN electronically through a secure filing system available via FinCEN's website. BOI filings can be prepared using either a fillable PDF or an online form. See the [filing instructions](#) for step-by-step guidance on preparing and filing your BOI report.