

TAX UPDATE:

ADDITIONAL INFORMATION ON THE CORPORATE TRANSPARENCY ACT (CTA)

September 23, 2024

As a follow up to our Client Alert sent February 5, 2024, we wanted to provide you with some additional information and resources for compliance with the Corporate Transparency Act.

In 2021 Congress enacted the Corporate Transparency Act (CTA) to curb illicit financial activity. The Act creates a registration reporting requirement for most business entities with the U.S. Department of the Treasury Financial Crimes Enforcement Network (FinCEN). Effective January 1, 2024, many companies (reporting companies) will need to file an information report about the beneficial owners (BOI) of the company.

Reporting companies include U.S. Corporations, LLC's or any entity that is registered with the Secretary of State of a U.S. State or Indian Tribe. This is a one-time reporting, any subsequent reporting requirements would be to submit updates, corrections, or changes to the beneficial owner information (see below). There are specific reporting exemptions in the CTA and multiple criteria on how to determine who is a beneficial owner. These exemptions and criteria can be complex and could require legal interpretation.

If your company was created and registered prior to January 1, 2024, you have until January 1, 2025 to determine your filing requirement and file the information online with FinCEN. If your company is new in 2024, you need to file with FinCEN within 90 days of registration.

If you need to correct or update ownership information on a report previously filed, you must submit that correction within 30 days of the change.

Generally, reporting companies need to provide 4 pieces of information about each beneficial owner including:

- 1.Name;
- 2.Date of birth;
- 3.Address; and
- 4.Identification document information and image (Driver 's License, passport etc.).

Failure to comply with the CTA reporting requirements may result in civil or criminal penalties for both companies and individuals.

The BOI reporting requirements fall under Title 31 of the United States Code, specifically in “Money & Finance”, Section 5336, outlining the legal requirements of who must file, exemptions and required information to be reported. Given the legal nature of the information to be reported, SKC & Co. CPAs will not prepare these forms or assist clients in compiling or transmitting the data to FinCEN. The guidance we have received at this time from the State Board of Accountancy, the NJCPA and the AICPA supports our position of the legal nature of the reporting.

Now that the reporting platform has been made available by FinCEN there are numerous vendors soliciting businesses to assist in the registration process. We urge you to be cautious since the information required is sensitive personal identification information. FinCEN is reporting that there are numerous identity theft scams already uncovered regarding these solicitations.

We have included a copy of the introductory information brochure provided by FinCEN and encourage you to visit their website at www.fincen.gov/boi.

We also encourage you to discuss the reporting requirements with your business attorney.

[FinCEN Information Brochure](#)

SKC & Co. CPAs is not providing any service which can be construed as legal advice as part of tax engagements. We assume no responsibility for advising you on the legal or regulatory aspects of the Corporate Transparency Act (CTA). In addition, we assume no responsibility for submission of any reports to the Financial Crimes Enforcement Network (FinCEN) and client's beneficial ownership information. It should be noted that management is responsible for complete compliance with the CTA.