



Lindborg & Mazor LLP

# NEWSLETTER

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## CORPORATIONS AND LLCs MUST REGISTER WITH THE U.S. TREASURY BEFORE JANUARY 1, 2025

Under the recently enacted Corporate Transparency Act (CTA), which is likely intended to address the U.S. government's concerns pertaining to operations or property ownership in the U.S. by entities that fail to disclose their "beneficial owner(s)," virtually every corporation and limited liability company formed or registered to do business in any of the fifty U.S. states, districts, territories, and dependencies must register with the U.S. Treasury's FinCEN (Financial Crimes Enforcement Network) unit and disclose the company's "beneficial owners" (unless the entity is active in the financial services industry, in which case the U.S. Treasury should already have the required information). Companies formed prior to January 1, 2024 have until January 1, 2025 to fulfill their beneficial ownership information (BOI) reporting obligations, while companies formed on or after January 1, 2024 have 90 days within which to file their report. **PENALTIES FOR FAILING TO TIMELY REGISTER ARE AS HIGH AS \$500 PER DAY UP TO A TOTAL OF \$10,000.**

### Why Are We Just Hearing About This Now?

While Congress passed the enabling legislation in 2022 as part of the CTA, the U.S. Treasury did not publish its final implementing regulations until just this year.

### KEY TAKEAWAYS:

Registration by January 1, 2025

Law applies to U.S. companies and foreign companies registered to do business in U.S.

Must disclose anyone who owns 25% or more of company or is in "substantial control" of it.

## How Does One Register?

Registration can be accomplished through FinCEN's website: [www.fincen.gov/boi](http://www.fincen.gov/boi).

## Who is a "Beneficial Owner"?

A "Beneficial Owner" is someone who directly or indirectly owns or controls at least 25% of an entity or exercises "substantial control" over the entity.

## Who Exercises "Substantial Control"?

FinCEN identified the following factors for determining who qualifies as an individual who exercises "substantial control" over a reporting entity:

- the individual is a senior officer (president, CEO, CFO, COO, general counsel, etc.)
- the individual has authority to appoint or remove certain officers or a majority of directors of the reporting entity
- the individual is an important decision-maker (has substantial influence over an entity's finances, structure, or the businesses nature, scope, and attributes)
- the individual has any other form of substantial control over the reporting entity

## What Information Must Be Disclosed?

The law requires the following information to be disclosed during the registration process:

- Name of the Entity
- EIN of the Entity
- Name(s) of Beneficial Owner(s)
- Beneficial Owner(s)' Identifying Document (such as driver's license or passport, which gets uploaded)
- Owner's Date of Birth

Note that this information is not intended to be made available to members of the general public.

## CA and Other Community Property States

While not entirely clear, it does appear that both spouses should be reported as beneficial owners in community property states.

## Lindborg & Mazor LLP Can Help

If you require assistance with the registration process, please contact L&M:

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