



PLEASE DO NOT IGNORE THIS!

The attached letter contains detailed information on a new filing requirement to report information on beneficial owners that will affect most every business entity. Below highlights general answers to the basic questions going through your head:

WHO: Almost every entity registered with the Secretary of State needs to be aware of their responsibilities to submit this report. Most small businesses will be required to file.

WHAT: A new online submission to self-report to the Financial Crimes Enforcement Network of the Department of Treasury certain information about the ownership of your entity.

WHEN: Generally, the deadline to file is: For existing businesses, by 1/1/2025. For new entities formed on or after January 1, 2024, within 90 days after registering a new business.

WHERE: File online at <https://boiefiling.fincen.gov/>.

WHY: There are stiff non-filing fees for willfully not complying (\$500 per day up to \$10,000 and 2 years jail time).

HOW: We will gladly walk through the steps with you, but you will ultimately need to file this yourself.

Following is a detailed explanation of the filing requirements and a sample report with the information you will need to gather to complete the filing. While we cannot file the report for you, we can assist you through the process. Please contact us if you need any guidance as you complete this filing.



Hulsey, Harwood & Sheridan, LLC

Certified Public Accountants and Consultants

May 31, 2024

RE: Corporate Transparency Act — Beneficial Ownership Information Reporting

Dear Client:

The Corporate Transparency Act (“CTA”) was enacted January 1, 2021, as part of the National Defense Authorization Act, representing the most significant reformation of the Bank Secrecy Act and related anti-money laundering rules since the U.S. Patriot Act. The CTA is intended to address and guard against money laundering, terrorism financing, and other forms of illegal financing by mandating certain entities (primarily small and medium size businesses) to report “*beneficial owner*” information to the Financial Crimes Enforcement Network (“FinCEN”).

The CTA authorizes FinCEN, a bureau of the U.S. Treasury Department, to collect, protect, and disclose this information to authorized governmental authorities and to financial institutions in certain circumstances.

Our firm is sending you this communication to provide you with some general information regarding the new reporting rules as well as initial steps you should take to address the implications of the CTA to your organization.

What entities are subject to the new CTA reporting requirements?

Entities required to comply with the CTA (“Reporting Companies”) include corporations, limited liability companies (LLCs), and other types of companies that are **created by a filing with a Secretary of State (“SOS”)** or equivalent official. The CTA also applies to non-U.S. companies that register to do business in the U.S. through a filing with a SOS or equivalent official. Since the definition of a domestic entity under the CTA is extremely broad, additional entity types could be subject to CTA reporting requirements based on individual state law formation practices.

There are a number of exceptions to who is required to file under the CTA. Many of the exceptions are entities already regulated by federal or state governments and as such already disclose their beneficial ownership information to governmental authorities.

Another notable exception is for “*large operating companies*” defined as companies that meet **all** of the following requirements:

- Employ at least 20 full-time employees in the U.S.
- Gross revenue (or sales) over \$5 million on the prior year’s tax return
- An operating presence at a physical office in the U.S.

Who is considered a “beneficial owner” of a Reporting Company?

A beneficial owner is any individual who, directly or indirectly, exercises “substantial control” or owns or controls at least 25% of the company’s ownership interests.

An individual exercises “substantial control” if the individual (i) serves as a senior officer of the company; (ii) has authority over the appointment or removal of any senior officer or a majority of the board; or (iii) directs, determines, or has substantial influence over important decisions made by the Reporting Company. Thus, senior officers and other individuals with control over the company are beneficial owners under the CTA, even if they have no equity interest in the company.

In addition, individuals may exercise control directly or indirectly, through board representation, ownership, rights associated with financing arrangements, or control over intermediary entities that separately or collectively exercise substantial control.

CTA regulations provide a much more expansive definition of “substantial control” than in the traditional tax sense, so many companies may need to seek legal guidance to ultimately determine who are deemed beneficial owners within their organization.

Phase-in of reporting requirements

As currently promulgated, the CTA’s reporting requirements will be phased-in in two stages:

- All **new** Reporting Companies — those formed (or, in the case of non-U.S. companies, registered) **on or after January 1, 2024** — must report required information **within 90¹ days** after their formation or registration.
- All **existing** Reporting Companies — those formed or registered **before January 1, 2024** — must report required information **no later than** January 1, 2025.

How to prepare for the CTA

With the CTA introducing a new and expansive reporting regime, now is the time to assess the new rules’ implications on your organization. Some questions and comments for your company to consider now, although not meant to be all inclusive, include:

- Is your company subject to the CTA or do you qualify for any of the exemptions?
- If your company is **not** exempt, how should you calculate percentages of “ownership interests” to determine whether any owners meet the 25%-ownership threshold? In many companies with simple capital structures, the answer will be obvious. It may be much less obvious, however, for companies with complicated capital structures (given the expansive definition of “ownership interest”), or companies in which some ownership interests are held indirectly — for example, through upper-tier investment entities, holding companies, or trusts.
- How do you assess and determine each person who exercises “substantial control” over the company? There may well be multiple people who qualify, given the expansiveness (and vagueness) of the “substantial control” definition.

¹ FinCEN issued a final rule on November 29, 2023, extending the deadline for companies created or registered in 2024 to file initial beneficial ownership information (BOI) reports to 90 calendar days after their formation or registration (was originally 30 days).

- What new processes and procedures should the company put in place to monitor future changes in its beneficial owners and reportable changes on existing beneficial owners that will require timely updated reports to FinCEN? Note that the types of information that must be provided to FinCEN (and kept current) for these beneficial owners include the owner's legal name, residential address, date of birth, and unique identifier number from a non-expired passport, driver's license, or state identification card (including an image of the unique-identifier documentation). A word of caution, this is going to be a trap for Reporting Companies, as you will need to rely on beneficial owners to timely update you on reportable changes to their information (e.g., ownership changes, moves, marriages, divorces, etc.). As a result, a company's operative documents may need to be revised to include provisions related to the CTA such as representations, covenants, indemnifications, and consent clauses. For example, the operating agreement may require:
 - A representation by each shareholder, member or partner, as applicable, that it will be in compliance with or exempt from the CTA;
 - A covenant by each shareholder, member or partner, as applicable, requiring continued compliance with and disclosure under the CTA or to provide evidence of exemption from its requirements;
 - An indemnification by each shareholder, member or partner, as applicable, to the company and its other shareholders, members or partners, as applicable, for its failure to comply with the CTA or for providing false information; and
 - A consent by each disclosing party for the company to disclose identifying information to FinCEN, to the extent required by law.

Take immediate action now!

As the CTA is not a part of the tax code, the assessment and application of many of the requirements set forth in the regulations, including but not limited to the determination of beneficial ownership interest, may necessitate the need for legal guidance and direction. As such, since we are not attorneys, our firm is not able to provide you with any legal determination as to whether an exemption applies to the nature of your entity or whether legal relationships constitute beneficial ownership.

If you have any questions regarding your organization's compliance with the CTA, please contact us as soon as possible and we can help assist you through the process.

Note that penalties for willfully violating the CTA's reporting requirements include (1) civil penalties of up to \$591² per day that a violation is not remedied, (2) a criminal fine of up to \$10,000, and/or (3) imprisonment of up to two years.

For additional information regarding the beneficial ownership reporting requirements under the CTA, refer to FinCEN's Frequently Asked Questions document at <https://www.fincen.gov/boi-faqs>.

As always, please feel free to contact us if you have any questions.

Sincerely,



Hulsey, Harwood & Sheridan, LLC

² The penalties for [BOI reporting violations](#) have been inflation adjusted and are increased to \$591 a day from \$500, effective January 25, 2024.



Beneficial Ownership Information Report

Version Number: 1.0

OMB No. 1506-0076

Release Date: 05-29-2024

Report Preparation & Submission Instructions:

Instructions

1. Complete the report in its entirety with all required information. Click **Instructions** for help.
2. Click **Validate** to ensure all entered data is properly formatted and that all required fields are completed.
3. Click **Finalize** to lock the entries in the report and prepare it for submission. Click **Edit Report** to unlock and re-edit.
4. Click **Save** to retain a local copy of the report (this can be done at any time during report preparation).
5. (Optional) Click **Print** to print a hard copy of your completed report.
6. Select **Ready to File** (activated after the report is finalized and saved locally) to begin the submission process.

Finalize

Filing Information

1. *Type of filing:

- a. Initial report
- b. Correct prior report
- c. Update prior report
- d. Newly exempt entity

Reporting Company information associated with most recent report, if any:

- e. Legal name
 - f. Tax Identification type
 - g. Tax Identification number
 - h. Country/Jurisdiction (if foreign tax ID only)
2. Date prepared (auto-filled when form is finalized)

PRIVACY ACT AND PAPERWORK REDUCTION ACT NOTICE

This notice is given under the Privacy Act of 1974 (Privacy Act) and the Paperwork Reduction Act of 1995 (Paperwork Reduction Act). The Privacy Act and Paperwork Reduction Act require that FinCEN inform persons of the following when requesting and collecting information in connection with this collection of information. This collection of information is authorized under 31 U.S.C. 5336 and 31 C.F.R. 1010.380. The principal purpose of this collection of information is to generate a database of information that is highly useful in facilitating national security, intelligence, and law enforcement activities, as well as compliance with anti-money laundering, countering the financing of terrorism, and customer due diligence requirements under applicable law. Pursuant to 31 U.S.C. 5336 and 31 C.F.R. 1010.380, reporting companies and certain other persons must provide specified information. The provision of that information is mandatory and failure to provide that information may result in criminal and civil penalties. The provision of information for the purpose of requesting a FinCEN Identifier is voluntary; however, failure to provide such information may result in the denial of such a request. Generally, the information within this collection of information may be shared as a "routine use" with other government agencies and financial institutions that meet certain criteria under applicable law. The complete list of routine uses of the information is set forth in the relevant Privacy Act system of record notice available at <https://www.federalregister.gov/documents/2023/09/13/2023-19814/privacy-act-of-1974-system-of-records>. According to the Paperwork Reduction Act of 1995, no persons are required to respond to a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 1506-0076. It expires on November 30, 2026. The estimated average burden associated with this collection of information from reporting companies is 90 to 650 minutes per respondent for reporting companies with simple or complex beneficial ownership structures, respectively. The estimated average burden associated with reporting companies updating information previously provided is 40 to 170 minutes per respondent for reporting companies with simple or complex beneficial ownership structures, respectively. The estimated average burden associated with this collection of information from individuals applying for FinCEN identifiers is 20 minutes per applicant. The estimated average burden associated with individuals who have obtained FinCEN identifiers updating information previously provided is 10 minutes per individual. Comments regarding the accuracy of this burden estimate, and suggestions for reducing the burden should be directed to the Financial Crimes Enforcement Network, P. O. Box 39, Vienna, VA 22183, Attn: Policy Division.

Part I. Reporting Company Information

- 3. Request to receive FinCEN Identifier (FinCEN ID)
- 4. Foreign pooled investment vehicle

Full legal name and alternate name(s):

- 5. * Reporting Company legal name
- 6. Alternate name (e.g. trade name, DBA) + -

Form of identification:

- 7. * Tax Identification type
- 8. * Tax Identification number
- 9. Country/Jurisdiction (if foreign tax ID only)

Jurisdiction of formation or first registration:

- 10. * a. Country/Jurisdiction of formation

Domestic Reporting Company:

- b. State of formation
- c. Tribal jurisdiction of formation
- d. Name of the other Tribe

Foreign Reporting Company:

- e. State of first registration
- f. Tribal jurisdiction of first registration
- g. Name of the other Tribe

Current U.S. Address:

- 11. * Address (number, street, and apt. or suite no.)
- 12. * City
- 13. * U.S. or U.S. Territory
- 14. * State
- 15. * ZIP Code

WARNING: A PRINTED VERSION OF THE BOI REPORTING FORM IS NOT FOR SUBMISSION AND WILL NOT BE PROCESSED BY FINCEN.

- 16. Existing Reporting Company (check if Reporting Company was created or registered before January 1, 2024)
- 17. (This item is reserved for future use)

Part II. Company Applicant Information

1 of 1

Company Applicant FinCEN ID:

18. **FinCEN ID**

Full legal name and date of birth:

- 19. * Individual's last name
- 20. * First name
- 21. Middle name
- 22. Suffix
- 23. * Date of birth

Current address:

- 24. * Address type a. Business address b. Residential address
- 25. * Address (number, street, and apt. or suite no.)
- 26. * City
- 27. * Country/Jurisdiction
- 28. * State
- 29. * ZIP/Foreign postal code

Form of identification and issuing jurisdiction:

- 30. * Identifying document type
- 31. * Identifying document number
- 32. * Identifying document issuing jurisdiction:
 - a. Country/Jurisdiction
 - b. State
 - c. Local/Tribal
 - d. Other local/Tribal description
- 33. * Identifying document image

34. (This item is reserved for future use)

Part III. Beneficial Owner Information

1 of 1

35. Parent/Guardian information instead of minor child (check if the Beneficial Owner is a minor child and the parent/guardian information is provided instead)

Beneficial Owner FinCEN ID:

36. FinCEN ID

Exempt entity:

37. Exempt entity

Full legal name and date of birth:

38. * Individual's last name or entity's legal name.

39. * First name

40. Middle name

41. Suffix

42. * Date of birth

Residential address:

43. * Address (number, street, and apt. or suite no.)

44. * City

45. * Country/Jurisdiction

46. * State

47. * ZIP/Foreign postal code

Form of identification and issuing jurisdiction:

48. * Identifying document type

49. * Identifying document number

50. * Identifying document issuing jurisdiction:

a. Country/Jurisdiction

b. State

c. Local/Tribal

d. Other local/Tribal description

51. * Identifying document image