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Will You Need To Report Beneficial Ownership Information?



Under the Corporate Transparency Act, most businesses will soon be required to provide beneficial ownership information to the U.S. Department of the Treasury's Financial Crimes Enforcement Network, also known as FinCEN. This information will be maintained in a database accessible by authorized government authorities and financial institutions. The main purpose of the Corporate Transparency Act is to combat money laundering by providing law enforcement with valuable information about the individuals who own and control reporting companies. In this document, we'll explain who is required to report, what information must be reported, and when reports must be submitted.

What are reporting companies?

Reporting companies include any corporation, LLC, or other entity that was created by filing a document with the Secretary of State or a similar office and registered to do business in the United States. Reporting companies also include entities created in a foreign country and registered to do business in the U.S.

Because the Corporate Transparency Act's focus is on shell companies, it provides several exceptions for entities already subject to reporting requirements such as banks, insurance companies, securities issuers, and others. There are actually 23 different exceptions listed in the Act.



What must be reported?

Reporting companies will be required to provide the following information:

- Each beneficial owner's name, date of birth, address, and unique identifying number from an acceptable identification document such as a driver's license or passport.
- The reporting company's name, as well as any trade names or DBA names.
- The street address of the reporting company's principal place of business.
- The reporting company's jurisdiction of formation.
- Foreign reporting companies must provide the jurisdiction where it first registered to do business.
- Finally, the reporting company's taxpayer identification number (EIN).

Who is considered a “beneficial owner?”

A beneficial owner is any individual who, directly or indirectly, exercises substantial control over the entity or owns or controls at least 25% of the entity. An individual is considered to exercise substantial control if they (1) serve as a senior officer of the reporting company, (2) have authority over the appointment or removal of any senior officer or a majority of the board, (3) have substantial influence over important matters, or (4) have any other form of substantial control.

With that said, the following individuals are excluded and will not need to be reported:

- Minor children, as long as the child's parents' or guardians' information is reported,
- An individual acting as an intermediary or agent on behalf of another,
- A person acting solely as an employee and not a senior officer,
- An individual whose only interest in the reporting company is through a right of future inheritance, and
- Creditors of a reporting company unless they are considered a beneficial owner by means of substantial control or equity ownership.



When must it be reported?

When these reports must be submitted depends on when the company was formed. Reporting companies formed after January 1, 2024, must report the required information within 30 days of their formation. Existing entities must provide the required information by January 1, 2025.

Also, if there are any changes in the information that has been submitted, the reporting company must file an updated report within 30 calendar days after the change occurs.

Penalties for Violating CTA

Violating the reporting requirements of the Corporate Transparency Act by providing false or incomplete information can result in significant penalties, including fines of up to \$10,000 and imprisonment for up to two years. However, a safe harbor provision allows entities to correct their reports if they have submitted inaccurate information. Entities that discover that they have provided inaccurate information have 30 days to correct their report voluntarily.



Final Thoughts

The implementation of the Corporate Transparency Act will certainly have a significant impact on businesses across the United States. It is essential for businesses to understand who is required to report ownership, what information must be reported, and when the reports must be submitted. The purpose of this document is to provide a brief overview of the Act and is not a substitute for speaking with one of our expert advisors. If you have any questions or would like to discuss the Corporate Transparency Act with one of our expert advisors, please contact our office. Our team is here to provide guidance and ensure compliance with this important legislation.



About Harding, Shymanski & Co.

Harding, Shymanski & Company, P.S.C. is a public accounting firm with offices in Evansville, Indiana, and Louisville, Kentucky. We are one of the largest accounting firms in Southern Indiana and Kentucky, providing experienced professionals who look beyond the numbers to the heart of complex issues.

Our clients range in size from small proprietorships to billion-dollar corporations, from closely-held and family-owned businesses to publicly traded firms. They span nearly every industry: finance, communications, construction, mining, manufacturing, non-profit, wholesale, retail, transportation, government, healthcare, and service. They all have one thing in common: they count on our expertise to capitalize on their opportunities and make the best of their challenges.



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