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Dear Client,

This letter contains important information which may apply to your business and require action before year end.

Beginning January 1, 2024, many businesses are required to comply with the Corporate Transparency Act (CTA). The CTA was enacted into law as part of the National Defense Act for Fiscal Year 2021. As part of the CTA, certain entities must report beneficial ownership information (BOI) to the Financial Crimes Enforcement Network (FinCEN). The intent of the BOI reporting requirement is to help U.S. law enforcement combat money laundering, the financing of terrorism, and other illicit activities. Below are details regarding this new reporting requirement.

What this means for clients of Joe Wrenn, CPA, PC

Although certain information pertaining to BOI reporting requirements may overlap with information we request for tax preparation or other services, BOI reporting under CTA is not a part of the tax code. Instead, it is a part of the Bank Secrecy Act, a set of federal laws that require record-keeping and report filing on certain types of financial transactions. BOI reports will not be filed with the IRS, but with FinCEN, another agency of the Department of Treasury. **As such, providing BOI related services may constitute legal advice and Joe Wrenn, CPA, PC is unable to prepare these forms or assist clients in preparing these forms. We are providing this information to you as a courtesy, and we will not be sending future reminders.**

We strongly advise that you familiarize yourself with these new rules and, if you feel it is necessary, consult legal counsel as soon as possible to determine how BOI reporting requirements will impact your business. More information is provided below, or you can visit the BOI section of the FinCEN's website at <https://www.fincen.gov/boi>

Reporting Company

The CTA requires a reporting company to disclose information about beneficial owners to the Financial Crimes Enforcement Network (FinCEN). The rule defines two types of reporting companies, domestic and foreign.

Domestic reporting company. A domestic reporting company is a corporation, limited liability company (LLC), or other entity created in the United States by the filing of a document with a secretary of state or similar office.

Foreign reporting company. A foreign reporting company is a corporation, LLC, or other entity formed under the law of a foreign country that is registered to do business in any state or tribal jurisdiction by filing a document with a secretary of state or similar office.

Exemption entities. 23 types of entities are exempt from the beneficial ownership reporting requirement. Many of these entities are already regulated by federal or state government and many already disclose ownership information to a government authority. One of the exemptions, for example, is for large operating companies with at least 20 full-time employees, more than \$5,000,000 in gross receipts or sales, and an operating presence at a physical office in the United States. An exemption also exists for inactive companies.

FinCEN's Small Entity Compliance Guide includes checklists for each of the 23 exemptions that may help determine whether your company qualifies for an exemption. To access the guide go to www.fincen.gov/boi.

Small businesses. Note that small businesses are not exempt. Also, there is no dollar minimum or profit motive requirement. A hobby that generates no profits, for example, would be subject to reporting requirements if it is registered as a limited liability company.

Beneficial Owner

A beneficial owner includes any individual who, directly or indirectly, either:

- Exercises substantial control over a reporting company, or
- Owns or controls at least 25 percent of the ownership interests of a reporting company.

The regulation further defines persons who have substantial control or own or control ownership interests.

Information Reported

Reporting companies must report the identity of the company.

- Name,
- Any alternate names or tradenames,
- The current address of its principal place of business,
- The jurisdiction of formation or registration, and
- Its taxpayer identification number.

A reporting company must also report the following information about each beneficial owner.

- The individual's name, birthdate, and address,
- A unique identifying number and issuing jurisdiction from an acceptable identifying document, and
- An image of the identifying document.

Most commonly, this identifying document will be a driver's license or passport. The required information for an individual can either be reported by the company or the individual. If an individual provides the information, he or she may obtain a "FinCEN identifier," which can then be used by the reporting company in lieu of the individual's required information.

Reporting companies created after January 1, 2024 must also report information about the company applicants. The company applicant is the individual who files or is responsible for filing the document that creates the company.

Reporting timeline. Reporting begins January 1, 2024.

- Reporting companies created or registered before January 1, 2024, will have one year (until January 1, 2025) to file their initial reports.
- Reporting companies created or registered after January 1, 2024, will have 90 days after receiving notice of their creation or registration to file their initial reports.
- Reporting companies created or registered after January 1, 2025, will have 30 days after receiving notice of their creation or registration to file their initial reports.
- Reporting companies have 30 days to report changes to the information in previous reports and 30 days to correct inaccurate information after becoming aware of the errors or having reason to know of the inaccuracies.

How to report. Beneficial ownership information is reported electronically via FinCEN's website. There is no fee involved. FinCEN has a Small Business Compliance Guide and other helpful materials available at www.fincen.gov/boi.

Use of information. The CTA imposes stringent access requirements and safeguards on users. Foreign and domestic security, intelligence, and law enforcement agencies will be able to access beneficial ownership information. Financial institutions conducting customer due diligence will also be able to access this information upon customer consent.

Penalties. Civil penalties of over \$500 per day may be levied for willful violation of reporting requirements. You may also be subject to criminal penalties of up to two years of imprisonment and a fine of up to \$10,000.

For more information visit the BOI section of the FinCEN's website at <https://www.fincen.gov/boi>.

Sincerely,

Joe Wrenn, CPA, PC