

ALERT

Beware the New Beneficial Owner!



Mandated by the Corporate Transparency Act, New Disclosure Rules Will Have an Immediate Impact on Businesses as Well as the Professional Firms that Serve Them

Is Your Firm Ready To Navigate the Rules & Advise Your Affected Clients?

On September 29, 2022, the U.S. Department of the Treasury's Financial Crimes Enforcement Network (FinCEN) issued a final rule implementing the beneficial ownership information (BOI) reporting provisions of the Corporate Transparency Act (CTA). The CTA is part of the Anti-Money Laundering Act of 2020 and establishes BOI reporting requirements for certain types of corporations, limited liability companies, and other similar entities created or registered to do business in the United States. **The final rule takes effect on Jan 1, 2024.**

Who is Required to Report?

Domestic corporations, limited liability companies and foreign companies that are registered to do business in the USA. There are 23 types of companies that are exempt, most of which are entities that are already regulated. (Newly formed entities and those with revenues below \$5 million and fewer than 20 full-time employees will likely need to comply with the BOI requirements).

Under the rule, reporting companies created or registered before January 1, 2024, will have until January 1, 2025, to file their initial reports. Reporting companies created or registered after January 1, 2024, will have 30 days after creation or registration to file their initial reports.

What is a Beneficial Owner?

A **Beneficial Owner** is any individual directly owning or controlling at least 25% of a business or who exercises 'substantial control' over a company. The regulations provide examples of activity that qualifies as 'substantial control' (e.g., individuals serving as senior officers, having certain authority over appointing or removing senior officers, or have substantial influence over important decisions) but there is a broad definition in the regulations that includes "any other form of substantial control over the reporting company." This introduces a vagueness that may be challenging for some individuals.

Risk Management Considerations for CPAs:

CPAs will need to weigh the risks, including the time it will take to evaluate and validate information, and rewards of the types of services they will offer reporting companies and ensure they have adequate risk management parameters around those services. If a firm agrees to make the required filings on behalf of a client, the level of risk is elevated. Engagement letters may need to be reviewed to ensure Clients are aware of their obligations and deadlines, make the Client responsible for the final determining that they are /are not required to file, and the need to update information as there are ownership and control changes at the entity. Care will need to be taken so as not to step into the provision of legal services in offering advice around compliance and reporting.

Speak to your Lemme team about your risk management questions and concerns.

EPIC offers this material for general information only. EPIC does not intend this material to be, nor may any person receiving this information construe or rely on this material as, tax or legal advice. The matters addressed in this document and any related discussions or correspondence should be reviewed and discussed with legal counsel prior to acting or relying on these materials.