

Beneficial Ownership Registration Requirement for Certain Entities Starts January 1, 2024

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Christina M. Noyes and Michael H. Bate

The Federal Crimes Enforcement Network (FinCEN) has issued its final rule requiring certain entities to file a Beneficial Ownership Information (BOI) report with FinCEN starting January 1, 2024. The rule implements Section 6403 of the Corporate Transparency Act (CTA). The CTA creates a governmental database containing certain personal information on the "beneficial owners" who own or control "reporting companies" and the applicants who form or register them.

Reporting companies include corporations, LLCs, LPs, LLPs, LLLPs. There are 23 types of entities exempt from filing, including banks, credit unions, insurance companies, public utilities, tax-exempt organizations, large operating companies, and inactive entities. **Consideration should be given to terminating inactive entities on or before December 31, 2023, because the criteria for qualifying as an "inactive entity" are stringent.**

The BOI report must contain (i) the company's legal name, trade name or dba, street address, state of formation, and taxpayer ID number, (ii) personal information on individuals who exercise substantial control over the company, including senior officers and individuals who own at least 25% of the company, and (iii) for companies created on or after January 1, 2024, the company's applicants, who are the individual directly filing the document creating the company and the individual primarily responsible for directing or controlling the filing.

The personal information includes the individual's full legal name, date of birth, current residential address, a current identifying document such as a state driver's license, Tribal ID, or U.S. passport, and an identifying number such as a Social Security number, taxpayer identification number, or FinCEN number. The filing is electronic and on a form provided by FinCEN, which does not charge a filing fee.

Reporting companies created before January 1, 2024 must file a BOI report by January 1, 2025. Reporting companies created on or after January 1, 2024 must file a BOI report within 30 days after receiving notice of its creation. However, there is a proposal for reporting companies created on or after January 1, 2024 and before January 1, 2025 instead to have 90 days to file after receiving notice of the company's creation.

Each reporting company must file a BOI report. A parent company cannot file a single BOI report for its group of companies. An updated BOI report must be filed within 30 days of any change in the required information about the company or its beneficial owners. If the company discovers an error in the BOI report it filed, the company must file a correction within 30 days after the error is discovered.

The database of BOI reports will be accessible by law enforcement agencies, U.S. financial institutions and limited federal governmental agencies. State and Tribal access would be by court authorization. Foreign governmental access also would be possible for special investigations.

The penalties for willfully filing false information or willfully failing to file include fines and imprisonment.

FinCEN has announced that there have been fraudulent attempts to solicit information from individuals and entities who may be subject to BOI reporting requirements by notices that include QR codes or clicks on a URL.

For more information, see [Beneficial Ownership Information Reporting | FinCEN.gov](#). (www.fincen.gov/boi). If you have questions about how this requirement may apply to your business, please contact one of Gust Rosenfeld's [Business/Corporate Law](#) attorneys.