

Beneficial ownership information reporting under the Corporate Transparency Act

FAQ expanded

The Corporate Transparency Act (CTA) was enacted as part of the National Defense Act for Fiscal Year 2021. The CTA mandates that millions of entities report their beneficial ownership information (BOI) to the Financial Crimes Enforcement Network (FinCEN). This resource is meant to provide a preliminary overview of the provisions in the CTA and answer questions that clients could raise when informing them of compliance requirements.

Who is required to report under the CTA's BOI reporting requirement?

- All domestic and foreign entities that have filed formation or registration documents with a U.S. state (or Indian tribe), unless they meet one of 23 enumerated exceptions (see [FinCEN FAQs](#) for a full list of exemptions), including:
 - EXEMPT: large operating entities that meet all the following criteria:
 - Employ more than 20 people in the U.S.
 - Had gross revenue (or sales) over \$5 million on the prior year's tax return
 - Has a physical office in the U.S.
 - EXEMPT: publicly traded companies that have registered under Section 102 of SOX

When must companies file?

- New entities (created/registered in 2024) – must file within 90 days
- New entities (created/registered after Dec. 31, 2024) – must file within 30 days
- Existing entities (created/registered before Jan. 1, 2024) – must file by Jan. 1, 2025
- Reporting companies that have changes to previously reported information or discover inaccuracies in previously filed reports – must file within 30 days.

What information do companies need to report?

- Each company must report the information below through the [FinCEN BOIR E-Filing System](#).
 - Full legal name of the reporting company and any trade or DBA names
 - Business address
 - State or Tribal jurisdiction of formation or registration
 - IRS TIN
- In addition, each reporting company must report the following details on its beneficial owners and, for newly created entities, its company applicant(s):
 - Name
 - Birthdate
 - Address
 - Unique identifying number and issuing jurisdiction from an acceptable identification document (and image of such document)

Who is a beneficial owner?

- Any individual who, directly or indirectly, either:
 - Exercises substantial control over a reporting company, or
 - Owns or controls at least 25% of the ownership interests of a reporting company

Who is a company applicant?

- The individual who files the document that creates the entity or who first registers the company to do business in the U.S., and
- The individual primarily responsible for directing or controlling the filing of such a document

What are the penalties for noncompliance with the statute?

- Civil penalties are up to **\$591 per day** that a violation continues.
- Criminal penalties include a **\$10,000 fine and/or up to two years of imprisonment.**

What do I need to be aware of?

- There has been some debate about whether non-attorney practitioners advising clients on the requirements of the CTA or the BOI reporting form could be considered unauthorized practice of law.
- Practitioners may wish to contact their state regulators, insurance carriers and/or legal counsel to further discuss this issue.

What other considerations are there before I engage with a client?

- Consider updating engagement letters, organizers and checklists to clearly state whether services relating to the CTA are included.

Detailed Information

What is the CTA and what is its purpose?

The CTA is a statute enacted in 2021 that requires the disclosure of the beneficial ownership information (otherwise known as “BOI”) of certain entities, that is, the people who own or control a company. The BOI reporting requirement intends to help U.S. law enforcement combat money laundering, the financing of terrorism and other illicit activity.

The 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. Under the CTA, BOI reports will not be filed with the IRS, but with the Financial Crimes Enforcement Network (FinCEN), another agency of the Department of Treasury.

What entities are required to comply with the CTA’s BOI reporting requirement?

Entities organized both in the U.S. and outside the U.S. may be subject to the CTA’s reporting requirements. Domestic companies required to report include corporations, limited liability companies (LLCs), or any similar entity created by the filing of a document with a secretary of state or any similar office under the law of a state or Indian tribe. Since state law formation practices and nomenclature vary among states with respect to particular entity types, the definition of a domestic reporting company is intentionally broad and will vary by jurisdiction.

Domestic entities **not** created by filing a document with a secretary of state or similar office are not required to report under the CTA.

Foreign companies required to report under the CTA include corporations, LLCs, or any similar entity formed under a foreign country's law and registered to do business in any state or tribal jurisdiction by filing a document with a secretary of state or any similar office.

Are there any exemptions from the filing requirements?

There are 23 categories of exemptions provided in the final regulations (see [FinCEN FAQs](#) for a full list of exemptions). This list includes publicly traded companies, banks and credit unions, securities brokers/dealers, public accounting firms, tax-exempt entities, and certain inactive entities, among others. Many of these entities are already heavily regulated by the government and thus already disclose their BOI to a government authority.

In addition, certain "large operating entities" are exempt from filing. To qualify for this exemption, the company must: a) employ more than 20 people in the U.S.; b) have reported gross revenue (or sales) of over \$5M on the prior year's tax return; and c) be physically present in the U.S.

What sort of information is required to be reported?

Companies must report the following information: full name of the reporting company, any trade name or DBA name, business address state or Tribal jurisdiction of formation, and an IRS TIN.

Additionally, information on the beneficial owners of the entity and the company applicants of the entity is required. This information includes name, birthdate, address and unique identifying number and issuing jurisdiction from an acceptable identification document (e.g., a driver's license or passport) and an image of such document.

Visit the [FinCEN BOIR E-Filing System](#) to access the BOI report.

Who is a beneficial owner?

A beneficial owner includes any individual who, directly or indirectly, either (1) exercises "substantial control" over a reporting company, or (2) owns or controls at least 25% of the ownership interests of a reporting company.

"Substantial control" over a reporting company is defined by reference to the power an individual may exercise over a reporting company. For example, an individual has substantial control of a reporting company if they direct, determine, or exercise substantial influence over important decisions of the reporting company. This includes any senior officers of the reporting company, regardless of formal title.

"Ownership interests" generally refer to arrangements that establish ownership rights in the reporting company, including simple shares of stock and more complex instruments.

The detailed CTA [regulations](#) define "substantial control" and "ownership interest" further.

Who is a company applicant?

Company applicants include: (1) the individual who files the document that creates the entity or that first registers the entity to do business in the U.S., and (2) the individual primarily responsible for directing or controlling the filing of such document. Entities created before Jan. 1, 2024, do not need to report company applicant information. Newly created entities will need to report company applicant information, but will not be required to update it.

When are the CTA's BOI reporting requirement filings due?

Entities formed or registered in 2024 have **90 days** from the date of creation or registration to make their initial CTA filing. Entities formed or registered after Dec. 31, 2024, have only **30 days** from the date of creation or registration to make their initial CTA filing. Entities organized before Jan. 1, 2024, will have until Jan. 1, 2025, to make their initial CTA filing.

Reporting companies must also file updated or corrected reports within **30 days** of changes to the information in their previously filed reports or the discovery of inaccurate information in previously filed reports. This includes changes in a beneficial owner's information, such as a change in address.

What is a "FinCEN identifier"?

Individuals may provide relevant information to FinCEN directly and obtain a "FinCEN identifier" upon request. The FinCEN identifier can then be provided to reporting companies in lieu of the person's personal information. Any reporting companies for which the individual is a beneficial owner or company applicant may report this identifier in lieu of the required information on the BOI report.

Providing a FinCEN identifier to a reporting company shifts the responsibility for notifying FinCEN of any changes to the individual's personal information from the reporting company to the individual. Thus, entities may wish to encourage their beneficial owners to obtain FinCEN identifiers so that the entity itself may avoid the time-consuming process of updating FinCEN every time some aspect of its BOI changes.

Whose responsibility is it to file a CTA report?

Many questions have arisen concerning compliance with the CTA, including whether CPAs are authorized to advise their clients regarding the CTA and/or file BOI reports with FinCEN on their clients' behalf. The BOI reporting requirement is not part of Title 26 of the U.S. Code (i.e., the Internal Revenue Code); as such, it is not clear whether a non-attorney tax professional assisting a client with compliance with the BOI reporting requirements could constitute the "unauthorized practice of law" (UPL).¹ Each state has its definitions of what services are considered UPL. So far, no state has issued any specific guidance regarding whether providing advice regarding the CTA is UPL. Accordingly, non-attorneys may wish to consult with their state regulators, insurance carrier and/or legal counsel before advising clients about the CTA.

The CTA provides for civil penalties of up to **\$591/day** that a violation continues. Criminal penalties include up to **\$10,000 and/or two years of imprisonment**.

The potential penalties for UPL and noncompliance with the BOI reporting requirements should be considered by those who decide to advise clients concerning the CTA.

Who will have access to the reported information in the BOI database?

The CTA authorizes FinCEN to disclose **all** the BOI information reported to six types of requesters, including the Department of the Treasury and the Internal Revenue Service:

- U.S. Federal agencies engaged in national security, intelligence, and law enforcement activities;
- State, local and Tribal law enforcement agencies with court authorization;
- The U.S. Department of the Treasury;
- Financial institutions using beneficial ownership information to conduct legally required customer due diligence, provided the financial institutions have their customer consent to retrieve the information;

- Federal and state regulators assessing financial institutions for compliance with legally required customer due diligence obligations; and
- Foreign law enforcement agencies and certain other foreign authorities who submit qualifying requests for the information through a U.S. Federal agency.

For more information

Visit the AICPA's [beneficial ownership information reporting guidance and resources page](#).

¹This publication is designed to provide illustrative information about the subject matter covered. It does not establish standards or preferred practices. The material in this publication was prepared by AICPA® staff and volunteers and has not been considered or acted upon by AICPA senior technical committees or the AICPA board of directors and does not represent an official opinion or position of the AICPA. It is provided with the understanding that the AICPA staff and the publisher are not engaged in rendering any legal, accounting, or other professional service. If legal advice or other expert assistance is required, the services of a competent professional should be sought. The AICPA staff and this publisher make no representations, warranties, or guarantees about, and assume no responsibility for, the content or application of the materials contained herein and expressly disclaim all liability for any damages arising out of the use of, reference to, or reliance on such material.