



Understanding Beneficial Ownership Interest Reports (BOIR) and Requirements

Deadline to Report December 31, 2024

The Corporate Transparency Act (“CTA”) became effective as of January 1, 2024. This new law requires that non-exempt entities submit a report containing various identifying information for (i) the company itself; and (ii) the beneficial owners of the company. Earlier this year, several lawsuits challenged this requirement around the country and many businesses have been waiting to see if there would be any court ruling removing this requirement. As we are approaching the end of the year, and there have not been any court decisions to change this requirement nationwide, you will want to ensure that you comply with the December 31st deadline.

If you are the beneficial owner of an entity formed pursuant to a filing with a state secretary of state’s office (i.e., an LLC or corporation), you must report. An individual qualifies as a beneficial owner (BOI) for reporting purposes if they:

- Directly or indirectly own or control at least 25% of a company’s ownership interests
- Directly or indirectly exercises substantial control over the company

Note, though, that there are a few exemptions to this reporting requirement – if an entity meets an exemption, it does not need to presently report. However, if an exemption ever becomes inapplicable to the entity, the entity then has 30 days to report. The most relevant exemptions include:

1. The large company exemption: an entity that has (i) 20 or more employees **AND** (ii) reported more than \$5 million in gross receipts on the prior year’s tax return;
2. The tax-exempt exemption: any entity with 501c designation from the IRS); and
3. The inactive entity exemption: any entity that meets all of the following:
 4. was in existence on or before January 1, 2020,
 5. is not engaged in active business,
 6. is not owned by a foreign person, whether directly or indirectly, wholly

- or partially,
7. has not experienced any change in ownership in the preceding twelve-month period,
 8. has not sent or received any funds in an amount greater than \$1,000 in the preceding 12 month period, and
 9. does not otherwise hold any kind or type of assets.

The main pieces of information that are needed to complete a report are: (i) the entity's name, state of formation, and business address; (ii) the entity's EIN number; and (iii) a copy of the front of each beneficial owner's driver's license. Completed reports are maintained by the financial crimes wing of the Department of the Treasury in a database that's only accessible by state and federal law enforcement; nothing that is reported, or subsequently updated, becomes public information.

For many business owners, this will be a fairly easy process to complete. To complete the online filing, visit <https://boiefiling.fincen.gov/> and follow the steps for BOI E-filing and File an Online BOIR. Each question has a "Need Help" button that will display additional information / explanation about the question. However, you can also hire a trusted professional to complete the reporting requirement on your behalf.

Failure to file as required under the CTA carries steep civil and criminal penalties, including a fine up to \$10,000, imprisonment for up to two years, or both, for any person who willfully (i) provides or attempts to provide false/fraudulent information or (ii) fails to report and/or update a report previously made. Importantly, the deadline to comply with the CTA is December 31, 2024 – thereafter, officials are estimating that entities in noncompliance could face a \$591 per-day fine for failure to submit reporting.

If you have any issues or questions, please contact an attorney sooner rather than later to ensure ample time to meet the filing deadline. OSCA Members using BMD, OSCA's legal counsel, are eligible for a 10% discount. Note also that submitted reports must be updated within 30 days of any information becoming outdated/inaccurate.



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