

IMPORTANT INFORMATION ABOUT THE CORPORATE TRANSPARENCY ACT (CTA)



This notice is to inform you of a federal reporting requirement that could require you to take action in early 2024. Commencing on January 1, 2024, the federal Corporate Transparency Act, or CTA, may require many domestic and foreign entities with less than \$5,000,000 of annual gross receipts and fewer than 20 full-time employees to file an informational statement with the federal Financial Crimes Enforcement Network, or FinCEN. Information about the entity and personal information about its “beneficial owners” and “applicants” must be reported to FinCEN on a Beneficial Ownership Information (“BOI”) Report.

Violations of reporting requirements may include criminal penalties of up to \$10,000 and/or possible imprisonment of up to two years, and civil penalties of not more than \$500 per day.

Please note these key deadlines that were updated December 1, 2023:

1. Any **existing entity** (created or registered before January 1, 2024) that does not qualify for an exemption must file a BOI Report no later than January 1, 2025.
2. Any **new entity created or registered on or after January 1, 2024, but before January 1, 2025**, that does not qualify for an exemption must file a BOI Report within 90 days after the entity’s formation date.
3. Any **new entity created or registered on or after January 1, 2025** that does not qualify for an exemption must file a BOI Report within 30 days after the entity’s formation date.

NOTE: On December 12, 2023, the House passed HR 5119, which would, among other things, extend the timeline for existing entities to file a BOI Report from one to two years (i.e., no later than January 1, 2026). However, the bill has yet to be considered by the Senate, and entities should remain prepared to follow the deadlines outlined above. Currently there are groups such as the AICPA lobbying congress for a one year delay in the filing requirements. As of this writing there has been no such delay.

The CTA also includes an obligation to update previously submitted information that has changed, even in minor ways. In general, updates must be reported to FinCEN within **30 days** of a reportable change. While the reporting is intended to be relatively straightforward, there are a variety of factors, including the complexity of the entity’s ownership structure, that can make this process more complicated. In addition, reviewing your obligations along with the 23 listed exceptions to this filing is an important part of compliance.

Prager Metis is able to assist you with your filings if required. If you require guidance on this or a consultation, we recommend that you contact your attorney to assist you with evaluating your reporting obligations and meeting any reporting requirements you may have under the CTA. If you do not currently work with an attorney, Prager Metis can introduce you to a tax attorney at Davidoff Tax Law, LLC (“Davidoff”). Davidoff has the expertise to assist clients in making the determination of filing or if exemptions apply to them. Alternatively, you can contact them directly at 732-274-1999 (call or text) or taxcontroversyinfo@taxdavidoff.com.