



RS&S

LAW OFFICES

RALPH, SCHWAB & SCHIEVER, CHARTERED

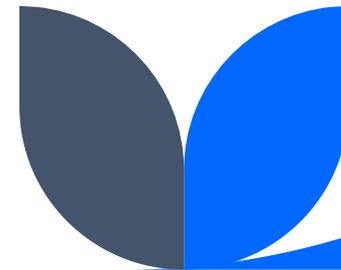
Practical Problem Solvers.

Two types of people come to Ralph, Schwab & Schiever, Chtd.:

People with problems; and

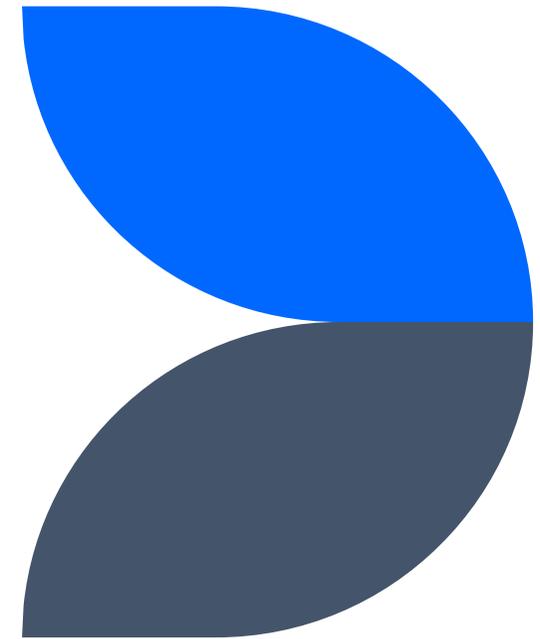
People who **plan** to prevent problems.

Whether personal or business-related, our team has the empathy and experience you need.



Business Law Practice.

- Business Formation
- Stock certificate issuance and transfers
- Shareholder/Buy-Sell Agreements
- Commercial Litigation
- Contracts
- Construction Matters
- Commercial Real Estate
- Financing/Secured Transactions
- Observing Corporate/LLC Formalities



Compliance Update: Corporate Transparency Act

WHO: Financial Crimes Enforcement Network (FinCEN)

WHAT: New set of reporting requirements for **beneficial owners** of non-exempt business entities

WHEN: End of 2024 for existing companies, within 90 days of companies formed in 2024, within 30 days 2025

WHERE: FinCEN's website (www.fincen.gov/boi)

WHY: Combat financial fraud

In A Nutshell

The CTA was enacted to combat money laundering, terrorist financing, tax fraud and other financial crimes. It authorizes FinCEN to gather information about the beneficial owners of non-exempt business entities in the U.S. FinCEN will then compile these reports into a national registry of business entities.

Corporate Transparency Act: Origins

- Enacted by Congress (overwhelmingly bipartisan vote) as part of National Defense Administration Act in 2021 after nearly a decade of similar efforts to reveal beneficial ownership of U.S. businesses
- Financial Crimes Enforcement Network (FinCEN) – a division of the U.S. Department of the Treasury - charged with promulgating regulations to administer the new law



Who Must Report: Three Tiers

1. Reporting Company: any corporation, limited liability company, or other entity that is **created by the filing of a document** with a secretary of state or any similar state or tribal regulatory office, and is not exempt under the statute
2. Beneficial Owners
3. Company Applicants (if entity created on or after 1/1/24)

Reporting Company Exemptions: 23 Total

Securities reporting issuer · Governmental authority · Bank · Credit Union · Depository institution holding company · Money services business · Broker or dealer in securities · Securities exchange or clearing agency · Other Exchange Act registered entity · Investment company or investment advisor · Venture capital fund advisor · Insurance company · State-licensed insurance producer · Commodity Exchange Act registered entity · Accounting firm · Public utility · Financial market utility · Pooled investment vehicle · Tax-exempt entity · Entity assisting a tax-exempt entity · Large operating company · Subsidiary of certain exempt entities · Inactive entity

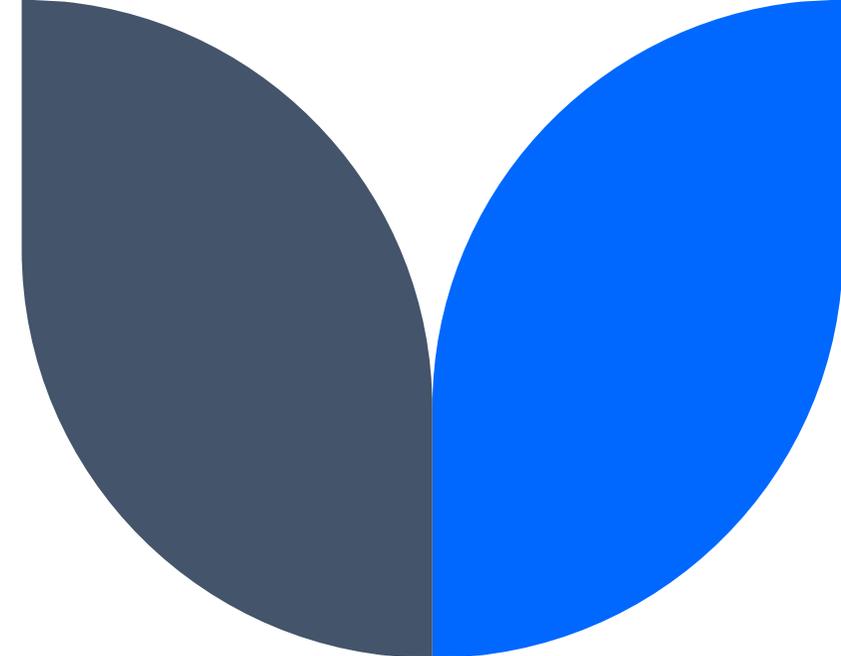
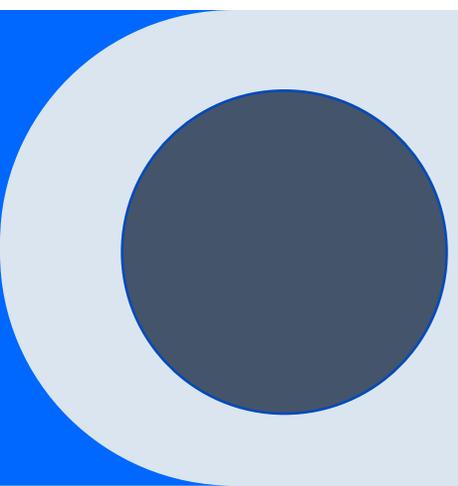
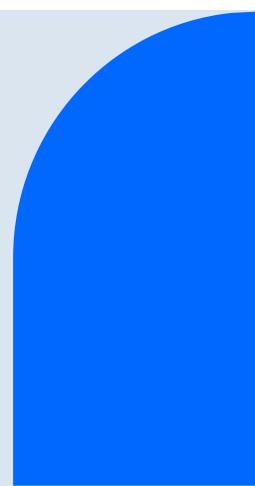
Reporting Company Exemptions: Top 4



1. Companies that are otherwise required to report to a federal agency, such as banks and investment companies;
2. “Large operating entities” that meet **all** of the following criteria:
 - a. more than 20 full-time employees;
 - b. more than \$5 million in gross receipts or sales on previous year’s federal income tax returns; and
 - c. have an operating presence at an office physically located in the U.S.



Top 4 Exemptions Cont.:

3. Private trusts; and
 4. Charitable organizations
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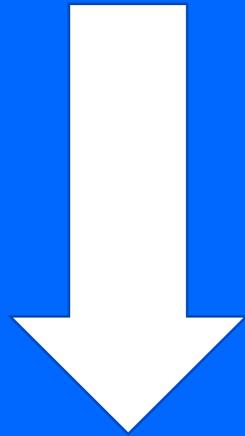
Reporting Company: Bottom Line

If a business entity was formed through the filing of a document with a state governmental or tribal office, and it is not exempt under the statute, **the entity is a “Reporting Company”** and must comply with the Corporate Transparency Act.

Reporting Company Required Info

- Full legal name, including any trade or d/b/a names;
- Principal address;
- State or Tribal jurisdiction of formation; and
- IRS tax identification number.

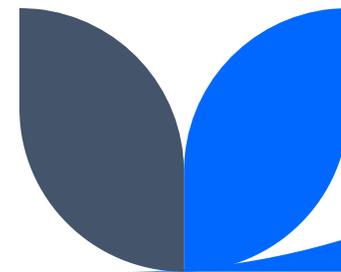
You're A Reporting Company



**The "Beneficial Owners" of Company
Must Report to FinCEN**

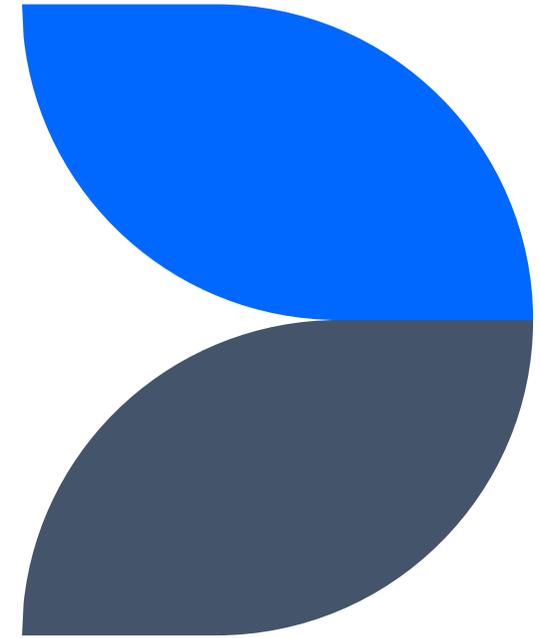
Who Is A Beneficial Owner?

- Any individual who directly or indirectly exercises “substantial control” over a reporting company **OR** owns or controls at least 25% of the ownership interests of a reporting company.
- Can meet either or both requirements.
- Reporting companies can have multiple beneficial owners.



Substantial Control: Individual Meets ANY Of These Criteria

1. Individual is a senior officer;
2. Individual has authority to appoint or remove senior officers or a majority of directors;
3. Individual is an important decision-maker (i.e. directs, determines, or has substantial influence over the business, finances, or structure); or
4. Individual has any other form of substantial control over company.



25% Ownership Interest: Examples

- Equity
- Stock
- Voting rights
- Capital or profit interest
- Convertible instruments
- Options or other non-binding privileges to buy or sell any of above
- Any other instrument, contract, or other mechanism used to establish ownership



Beneficial Owner Required Info

- Full legal name;
- Date of birth;
- Complete current address;
- Unique identifying number from acceptable identifying document, such as passport or driver's license number; and
- An image from said identifying document that shows both the unique identifying number and the individual's photograph.



Company Applicants (2024+ Formation)

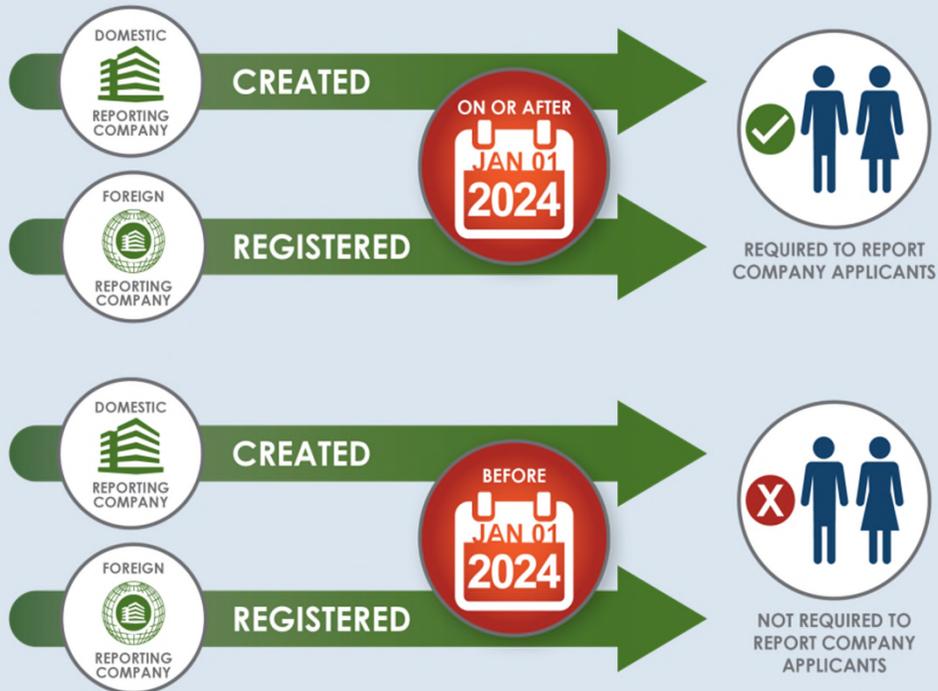


Image obtained from FinCEN www.fincen.gov/boi-faqs

1. The individual who directly files the document that creates or registers the company; and
2. If more than one person is involved in the filing, the individual who is primarily responsible for directing or controlling the filing.

Filing Deadlines

- Companies formed prior to 1/1/24: by 12/31/24
- Companies formed on or after 1/1/24: within 90 calendar days of receiving notice of its creation or registration (clock starts running either when the entity receives *actual* notice of its creation or registration or when the Secretary of State or similar state registration office provides *public* notice of its creation or formation, whichever is earlier)
- Companies formed on or after 1/1/25: within 30 calendar days of either actual or public notice of creation or registration

Where Do I File?

- FinCEN Website: www.fincen.gov/boi
- Upload license or passport to computer first
- Extensive FAQ pages, very intuitive process



Image obtained from FinCEN www.fincen.gov

Penalties for Noncompliance

- Failure to comply or providing false information to FinCEN may result in both **civil and criminal** penalties
- Penalties may range from \$500 per day, up to \$10,000, as well as imprisonment for up to 2 years

Potential Minefields

- Legal Challenges
- Security Breaches
- Attorney/Accountant/Agent Liability for Security

Reach Out Anytime. Thank You.

