

NEWS & INSIGHTS

U.S. Department of Treasury's Beneficial Ownership Information Reporting Rule takes effect in 2024

BY: [KATHERINE PANDELIDIS GRANBOIS](#) | [INSIGHTS](#) | [LEGAL UPDATE](#)

NOVEMBER 7, 2023



An important federal law that will affect most U.S. businesses and require them to file ownership reporting will go into effect on January 1.

The federal government enacted the [Corporate Transparency Act \(CTA\)](#) in 2021 as part of the National Defense Authorization Act. The purpose of the CTA is to help detect, prevent, and punish terrorist financing, money

laundering, corruption, tax fraud and other misconduct through business entities. The CTA requires certain business entities to file beneficial ownership information (BOI) with the U.S. Department of the Treasury's Financial Crimes Enforcement Network (FinCEN). FinCEN released guidance on the [BOI Reporting Rule](#), and effective January 1, 2024, most new and existing corporate entities in the United States will be required to file a BOI report with FinCEN. The BOI Reporting Rule places a significant burden on small to midsize domestic and foreign "reporting companies."

While there are 23 categories of entities that are exempt from reporting, many of the exempt entities are already subject to similar regulation. Specific information about the reporting company, each beneficial owner, and the company applicant must be reported to FinCEN. Subject to certain exceptions, each beneficial owner and company applicant must provide their name, date of birth, complete current address, and a copy of a non-expired U.S. passport (or foreign passport, if applicable), state driver's license, or other identification document issued by a state, local government, or tribe. Although there is no fee for submitting a BOI report with FinCEN, reporting companies must identify **all** "beneficial owners" who directly or indirectly exercise *substantial control* or own or control at least 25 percent of the *ownership interests* of a reporting company.

An individual exercises *substantial control* over a reporting company if the individual meets any of the following qualifications:

- Is a senior officer
- Has authority to appoint or remove certain officers or a majority of directors
- Is an important decision-maker
- Has any other form of substantial control

Any of the following may be an *ownership interest*:

- Equity, stock, or voting rights
- Capital or profit interest
- Convertible instruments
- Options or other non-binding privileges to buy or sell any of the foregoing
- Any other instrument, contract, or other mechanism used to establish ownership

The timing for filing with FinCEN varies depending on the date of formation. In general, existing reporting companies created or registered to do business in the U.S. before January 1, 2024, must submit initial reports by January 1, 2025. New reporting companies created or registered to do business in the U.S. on or after January 1, 2024, must submit initial reports within 30 calendar days of receiving actual or public notice that the creation or registration of the reporting company is effective. However, there is a proposed amendment to extend the filing deadline to 90 days.

If you have any questions about the new reporting requirements or need any other assistance, we are here to help. Contact Kathy Granbois at kpg@saxtonstump.com or Andy Walls at asw@saxtonstump.com or call us at (717) 556-1000.

Related People

[Katherine Pandelidis Granbois](#)

Related Services and Industries

[Business and Corporate](#)