

# FinCEN Requiring New Beneficial Ownership Reporting Rule Effective January 1, 2024



The Financial Crimes Enforcement Network (FinCEN) issued a [final rule](#) that sets forth beneficial ownership information reporting requirements as mandated by the Corporate Transparency Act. The rule, effective January 1, 2024, will affect a broad spectrum of businesses (virtually all LLCs, corporations, and entities formed under state or tribal laws with 20 or fewer employees and \$5 million or less in gross annual receipts), and require them to begin filing periodic reports on their beneficial owners to FinCEN.

## Type of Business Covered:

A corporation, LLC, or other similar entity that is created by filing with the secretary of state, or other similar agency, with 20 employees or fewer and \$5 million or less in gross receipts or sales as reflected in the previous year's federal tax returns.

## Required Information for Reporting:

Any entity that falls under this rule will need to provide the following information:

- Legal name and any d/b/a names it conducts business under,
- Address,
- Jurisdiction of formation, and
- Taxpayer identification number.

Additionally, the rule requires a reporting company to report four pieces of information about each of its beneficial owners:

- Name,
- Birthdate,
- Address, and
- An identifying number from a driver's license, state ID, or passport, and an image of the document that the number is from.

A *beneficial owner* is any individual who, directly or indirectly, exercises substantial control over a reporting company or who owns or controls at least 25 percent of a reporting company.

## Timeline for Reporting:

Any existing companies formed before the effective date, January 1, 2024, will have a different timeline than those formed after the effective date.

- Companies that preexist this effective date will have one full year to file their initial reports (December 31, 2024).
- Newly formed companies registered after the effective date will have 30 days after receiving notice to file their initial reports.
- Companies with a change in any beneficial ownership information will have 30 days after receiving notice to file updated reports.
- Companies that must correct errors after initial filing are required to file a corrected report within the 30 days of the date it knew, or should have known, that the information was inaccurate.

Overall, businesses with complex ownership structures may be most affected by this rule, and any companies that fall under this rule should obtain counsel from a tax advisor to ensure compliance in reporting. Failure to provide completed and updated reports could result in criminal penalties of up to 2 years in prison and civil penalties of \$500 per day, up to \$10,000.

## How to Report

If you are required to report your company's beneficial ownership information to FinCEN, you will do so electronically through a secure filing system that will be available on FinCEN's website. This system is currently being developed. You can find more information on FinCEN's website [here](#).

NFIB will continue to monitor these developments and will provide further updates as appropriate.

## November 9, 2023

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