



THAKUR LAW FIRM, APC

# CORPORATE TRANSPARENCY ACT

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## Introduction

The Corporate Transparency Act (CTA) was enacted in response to increasing worries about the use of anonymous shell companies for illicit activities. In a departure from the previous reporting norms, the Act requires specific entities to disclose their beneficial ownership details, along with the company applicant(s), to the Financial Crimes Enforcement Network (FinCEN), a division of the U.S. Department of the Treasury. The CTA went into force on January 01, 2024.

## Penalties

The willful failure to report complete or updated beneficial ownership information (BOI) to FinCEN, or the willful provision of or attempt to provide false or fraudulent beneficial ownership information may result in **civil penalties of up to \$500 per day** that the violation continues or **criminal penalties including imprisonment for up to two years and/or a fine of up to \$10,000**. Senior officers of an entity that fail to file a required BOI report may be held accountable for that failure. Additionally, a person may be subject to civil and/or criminal penalties for willfully causing a company not to file a required BOI report or to report incomplete or false beneficial ownership information to FinCEN.

## Reporting Timeline

Company Entity Registration Date	BOI Reporting Deadline
Created/registered prior to Jan. 01, 2024	Jan. 01, 2025
Created/registered after Jan. 01, 2024, but before Jan. 01, 2025	90 days after creation/registration is effective
Created/registered after Jan. 01, 2025	30 days after creation/registration is effective
Updates/corrections to BOI	Within 30 days

## Reporting Company

This paper will only focus on domestic reporting companies, identified as (i) corporations, (ii) limited liability companies, or (iii) any other entities that were created by a filing of a document with a secretary of state or any similar office. Therefore, unless it meets one of the exemptions, it is a reporting company.

There is an exemption for a large operating company with over 20 full-time employees and more than \$5 million reported in gross receipts or sales. Other exempt companies include tax exempt entities and other unique categories.

## Beneficial Owners and Company Applicants

The reports must contain information about the entity itself and two categories of individuals: (1) Beneficial Owners and (2) Company Applicants.

### Beneficial Owners

A beneficial owner is any individual who, directly or indirectly:

1. Exercises substantial control over a reporting company. This includes: (1) senior officer; (2) those with authority to appoint or remove certain officers or a majority of directors of the reporting company; (3) important decision-makers; or (4) anyone with any other form of substantial control over the reporting company.
2. Owns or controls at least 25% of the ownership interest of a reporting company. Those may be: equity, stock, or voting rights; a capital or profit interest; convertible instruments; options or other non-binding privileges to buy or sell any of the foregoing; and any other instrument, contract, or other mechanism used to establish ownership. Multiple types of ownership interest may exist at once.

Note for trusts: The following individuals hold an ownership interest in a reporting company and must be reported:

- A trustee or other individual with the authority to dispose of trust assets.
- A beneficiary who is the sole permissible recipient of trust income and principal or who has the right to demand a distribution of or withdraw substantially all the trust assets.
- A grantor or settlor who has the right to revoke or otherwise withdraw trust assets.

### Company Applicants

A reporting company is only required to report its company applicants if it is a domestic reporting company created on or after January 1, 2024. Each reporting company must report the "direct filer," and may also be required to report the individual who "directs or controls the filing action." Companies or legal entities cannot be company applicants.



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**Applicant 1: The Direct Filer:** The direct filer must be identified by all reporting companies. This is the individual who directly filed the document that created a domestic reporting company, or the individual who directly filed the document that first registered a foreign reporting company. This individual would have physically or electronically filed the document with the secretary of state or similar office.

**Applicant 2: Directs or Controls the Filing Action:** This category of applicant is only required to be reported when more than one individual is involved in the filing of the document that created or first registered the company. This is the individual who was primarily responsible for directing or controlling the filing of the document with the secretary of state or similar office.

## Inclusion of Professional Services

It is important to clarify that the term “company applicants” encompasses all professional service providers, including attorneys, paralegals, certified public accountants (CPAs), and other similar professionals. Any such professionals who play a role in creating or registering the reporting company are subject to the reporting requirements as company applicants. Currently, there is no specific exemption in the regulation for these individuals, therefore they must all be reported to FinCEN.

## Required Information Checklist

The following list identifies the information that is required to be collected and reported about a company and its beneficial owners and company applicants.

- Reporting Company
  - Full legal name
  - All trade names or “doing business as” (DBA) names
  - Complete current U.S. address (Either principal place of business or primary location in the U.S.)
  - Jurisdiction of formation or registration (State or Tribal Territory)
  - Internal Revenue Service (IRS) Taxpayer Identification Number (TIN) (including an Employer Identification Number (EIN))

- For Each Beneficial Owner and Company Applicant
  - Full legal name
  - Date of birth
  - Complete current address
    - For company applicants who form or register the company in the course of their business, such as paralegals, use the business address.
  - Unique identifying number and issuing jurisdiction from, and image of, one of the following non-expired documents:
    - U.S. passport
    - State driver’s license
    - Identification documents issued by a state, local government, or tribe.
    - If the individual does not have the above, then a foreign passport

## FinCEN Identifiers

A “FinCEN identifier” is a unique identifying number that FinCEN will issue to an individual or reporting company upon request after the individual or reporting company provides certain information to FinCEN. As a law firm, we can provide the BOI to FinCEN for you.

For more information, please visit our website at [www.thakurlawfirm.com](http://www.thakurlawfirm.com)  
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