

Understanding BOI Reporting Requirements and Penalties: What You Need to Know

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Are you an owner in an LLC? If so, there are new reporting requirements you need to know about.

In today's financial landscape, the push for transparency is stronger than ever. The U.S. government has introduced new regulations under the Corporate Transparency Act to combat money laundering and tax evasion. Central to these regulations is the requirement for Beneficial Ownership Information (BOI) reporting, implemented by the Financial Crimes Enforcement Network (FinCEN). This article explores what BOI reporting entails, who it affects, and the potential penalties for non-compliance.

Overview of BOI

Beneficial Ownership Information reporting refers to the requirement for certain entities, known as reporting companies, to disclose the identities of their beneficial owners to FinCEN. A beneficial owner is any individual who, either directly or indirectly, owns a certain percentage of the reporting company or exercises substantial control over it.

Who Are the Reporting Companies?

Reporting companies can be either domestic or foreign entities. A domestic reporting company includes corporations, limited liability companies (LLCs), or other entities created by the filing of a document with state or tribal authorities. Conversely, a foreign reporting company is one formed under the laws of another country that is registered to do business in any U.S. state or tribal jurisdiction.

It's worth noting that 23 types of entities are exempt from being classified as reporting companies. These exemptions include entities such as banks, insurance companies and large operating companies.

Defining Beneficial Owners

Under the new regulations, a beneficial owner is defined as any individual who either exercises substantial control over the reporting company or owns at least 25% of its ownership interests. Substantial control is a subjective measure but applies to individuals with significant decision-making authority, such as senior officers or those who can appoint or remove key personnel.

How to File

The BOI report must be filed electronically with FinCEN, accessible online at BOI E-FILING by selecting "File BOIR." Required information includes:

1. The name and address of the reporting company.

2. The name, address, date of birth, and a copy of a government-issued photo ID for each beneficial owner.

Reporting companies can also opt to obtain a FinCEN identifier, a unique number that can simplify reporting when the same beneficial owner has interests in multiple LLCs.

Important Deadlines

As of February 19, 2025, FinCEN has updated the filing due date to March 21, 2025 for the majority of reporting companies.

Reporting companies created or registered on or after January 1, 2025, need to file by the March deadline, or 30 calendar days from the company's creation, determined by whichever date is late.

Please see their website [here](#) for up-to-date information about the ongoing litigation.

Penalties for Non-Compliance

Failure to meet BOI reporting requirements can result in severe civil and criminal penalties. Willful violations of these requirements may incur civil penalties of up to \$591 for each day the violation persists, alongside potential criminal penalties, including up to two years of imprisonment and fines reaching \$10,000. Violations can include willfully failing to file the report, submitting false information, or willfully neglecting to update or correct a previously filed report.

Conclusion

Compliance with BOI reporting requirements is crucial for both new and existing businesses in the United States. Understanding these regulations can help entities avoid significant penalties and contribute to greater financial transparency. For more detailed information visit the FinCEN BOI Reporting website.

Clients are encouraged to check with their CPAs to ensure that all reporting requirements are being properly managed, as these filings may not be included in standard services.

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