



Beneficial Ownership Reporting

Overview for Dealers and their Teams



Nathaniel Yost
Principal
Dealership Services Group



Agenda

Beneficial Ownership Information (BOI) reporting requirements as mandated by FinCEN

- Reporting Companies
- Beneficial Owners
- Examples
- Resources



What is the CTA?

Corporate Transparency Act (CTA)

- Enacted on January 1, 2021, as part of the National Defense Authorization Act
- Reform anti-money laundering laws
- Establishes beneficial ownership information reporting (BOI) for certain entities and their beneficial owners
- Reports must be filed with the Financial Crimes Enforcement Network (FinCEN) within the U.S. Department of Treasury
- Takes effect January 1, 2024



What is the CTA?

- Bipartisanship
 - 322 to 87 in House
 - 81 to 13 in Senate
- Centralized Database:
 - Federal-level registry simplifies compliance for businesses, with state-level uniformity.
 - Certain Federal Agencies
 - Regulatory Agencies (financial institutions)



Information Reported to FinCEN

Reporting Companies:

- Full Legal Name; all D/B/As, any trade names etc.
- Tax identification number
- Type of tax identification number
- State or tribal jurisdiction of formation or registration
- Street address of principal place of business
 - cannot be a PO Box



Information Reported to FinCEN

Beneficial Owners / Company applicants:

- Full Legal Name
- Date of birth
- Residential street address
- Form of identification document, (driver's license, U.S. passport, state or tribal identification document)
 - Identifying document number
 - Identifying document type
 - Identifying document image pdf, JPG/JPEG or PNG
- OR -
- **FinCEN ID**



FinCEN ID

FinCEN ID

- Optional unique ID issued to an individual or reporting company
- Allows more streamlined reporting
 - Use FinCEN IDs in BOI reporting for beneficial owners or company applicants instead of certain required information
- Request a FinCEN ID:
 - At [Fincenid.fincen.gov/landing](https://fincenid.fincen.gov/landing)
- Reminder: Changes in information must be updated within 30 days



Information Reported to FinCEN – Company Applicants

Only reporting companies created or registered on or after January 1, 2024, will need to report their company applicants.

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



Information Not Reported to FinCEN

- Other entity affiliations, if any.
- Historical Beneficial Owners.
- Beneficial owner's ownership interest or type of control.
- Beneficial owner's Social Security Number.



Reporting Company

Who Must Report?

- Both domestic and foreign entities registered in the U.S. must report
- FinCEN estimates ~32 million existing entities may face filing requirements under the CTA initial BOI Reporting.
- 23 specific types of entities are exempt from reporting



Exemptions

Exemption No. & Name	Exemption No. & Name	Exemption No. & Name
1 - Securities reporting issuer	9 - Other Exchange Act registered entity	17 - Financial market utility
2 - Governmental authority	10 - Investment company or investment adviser	18 - Pooled investment vehicle
3 - Bank	11 - Venture capital fund adviser	19 - Tax-exempt entity
4 - Credit union	12 - Insurance company	20 - Entity assisting a tax-exempt entity
5 - Depository institution holding company	13 - State-licensed insurance producer	21 - Large operating company
6 - Money services business	14 - Commodity Exchange Act registered entity	22 - Subsidiary of certain exempt entities
7 - Broker or dealer in securities	15 - Accounting firm	23 - Inactive entity
8 - Securities exchange or clearing agency	16 - Public utility	



Exemptions

Exemption No. 21 - Large Operating Company

- Employ > 20 FTE (30+ hours/week; US Based)
- Physical operating presence in US
- Filed a prior year federal income tax return reporting over \$5 million in gross receipts or sales

Exemption No. 22 – Subsidiary of Certain Exempt Entities

- The entity's ownership interests are controlled or wholly owned, directly or indirectly, by certain exempt entities



Beneficial Owners – Who Are They?

Beneficial owners must be individuals (i.e., natural persons), trusts, corporations, or other legal entities are not considered to be beneficial owners.

- Individuals who exercise *substantial control*
- Ownership of at least **25%** of a company



Substantial Control

Meet any of the following:

- The individual is a senior officer (C suite);
- The individual has authority to appoint or remove certain officers or a majority of directors (or similar body) of the reporting company;
- The individual is an important decision-maker;
- The individual has any other form of substantial control over the reporting company



How / Where to File a Report

- Electronic submission through FinCEN's secure system
- Reports accepted from January 1, 2024

How / Where to File a Report

 An official website of the United States Government [Here's how you know](#) ▾

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BOI | BENEFICIAL OWNERSHIP INFORMATION

Many companies are required to report information to FinCEN about the individuals who ultimately own or control them. FinCEN began accepting reports on January 1, 2024. [Learn more about reporting deadlines.](#)

Prepare

- ➔ How do I file?
- ➔ Do I qualify for an exemption?
- ➔ How do I get a FinCEN ID?

File

- ➔ File a report using the BOI E-Filing System
- ➔ Create a FinCEN ID (optional)



When to File?

Deadlines for companies created:

- Before January 1, 2024: Deadline is January 1, 2025
- On or after January 1, 2024: Deadline is 90 days from creation



Penalties for Non-Compliance

Civil and Criminal Penalties:

- Fines up to \$10k and 2 years imprisonment

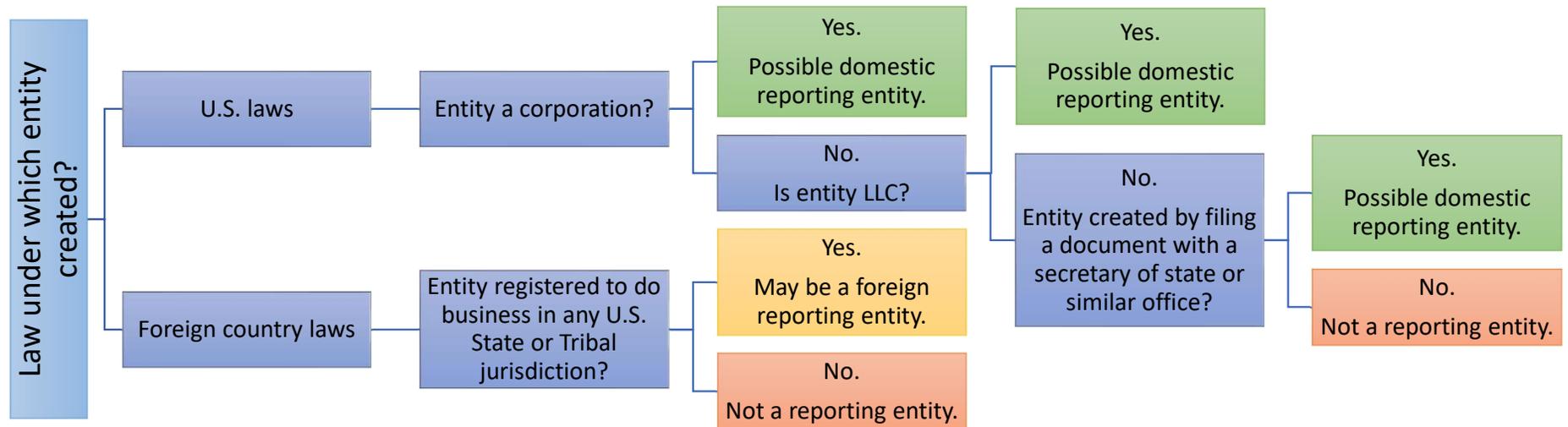
Safe Harbor:

- Voluntary correction within 90 days of the deadline can avoid penalties



Does My Company Need to Report?

- Steps to determine if your company must report





Examples

Mr. and Mrs. Smith own the following in Pennsylvania:

- Smith Dealership, Inc. S-Corp
 - 80/20 ownership
- Smith Real Estate, LP
 - 50/50 ownership
- Smith Reinsurance Company
 - 80/20 ownership



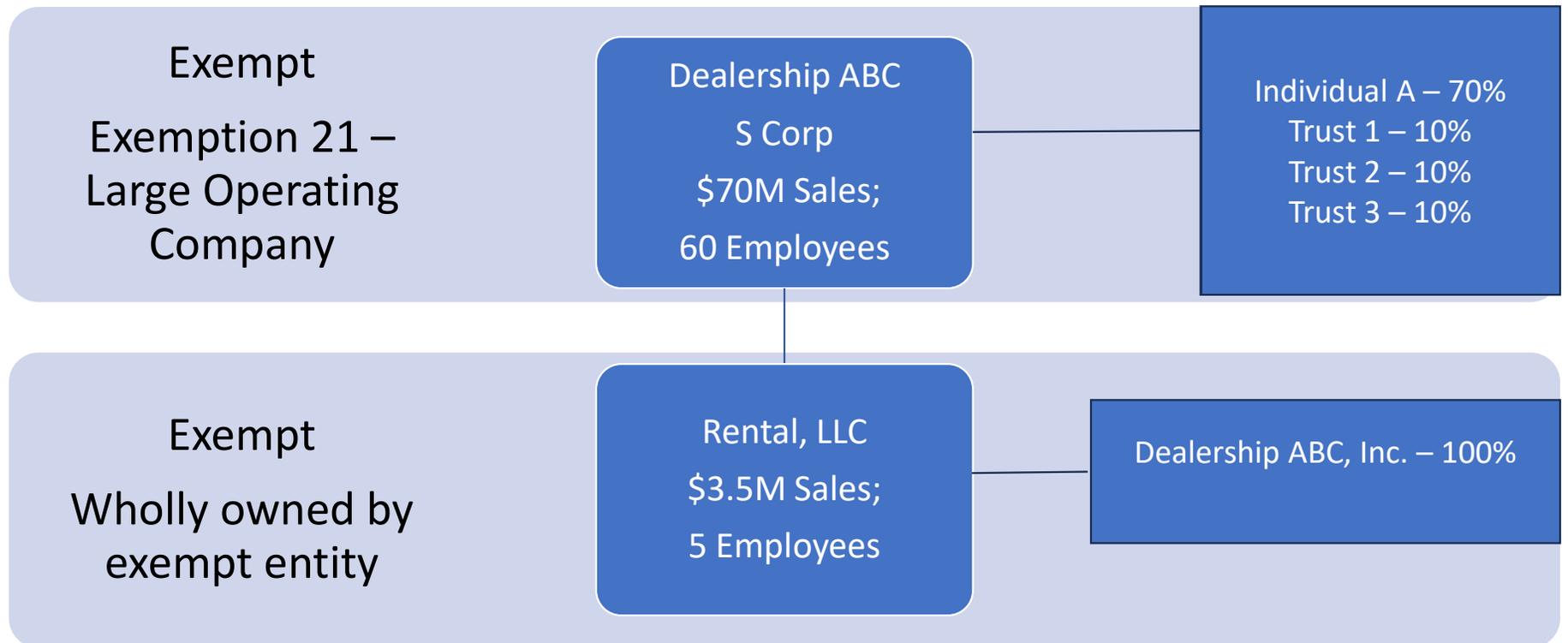
Example

Mr. and Mrs. Smith own the following in Pennsylvania:

- Smith Dealership, Inc. S-Corp
 - Exemption #21 - Large Operating Company
- Smith Real Estate, LP
 - Reporting Entity, must file BOI Report
 - Both are beneficial owners as 50/50 owners
- Smith Reinsurance Company
 - Exemption #12 – Insurance Company

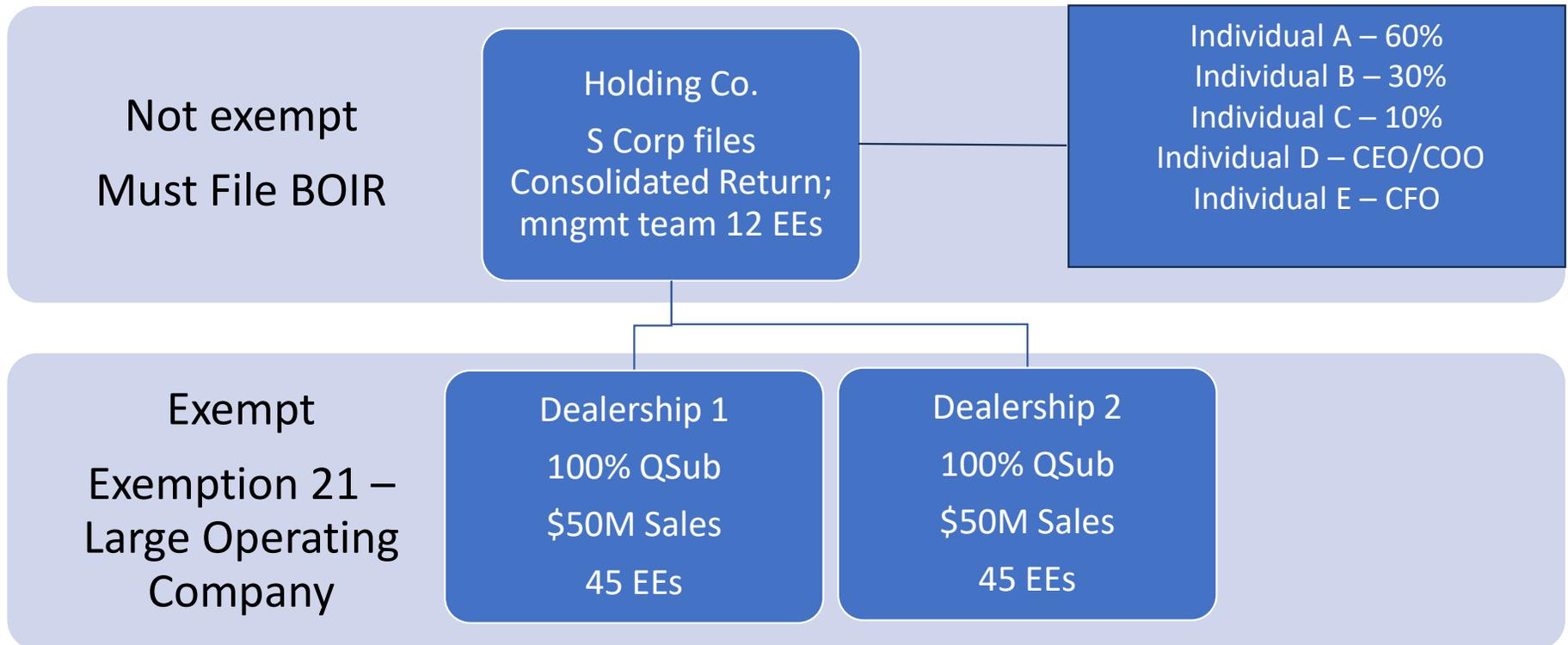


Example – Parent / Sub





Example – Consolidated Group





Does My Dealership Need to Report?

Company formed prior to 1/1/2024, but operations began in 2024?



Does My Dealership Need to Report?

File an updated report for a newly exempt entity. Only required to file report with:

- the entity identify itself; and
- check a box noting its newly exempt



Compliance Strategy

Steps to Ensure Compliance:

- Assess
- Identify
- Document
- Report

Implement processes to monitor and update BOI as required



Resources and Support

Where to get help with compliance:

- [FinCEN.gov/boi](https://www.fincen.gov/boi)
 - FAQ page
- <https://www.fincen.gov/boi/small-business-resources>
 - Small Entity Compliance Guide
 - Guides, FAQs, Flowcharts
- Obtain your FinCEN ID
- Contact your attorney
 - Can make legal determination regarding need to submit report



Nathaniel Yost
Principal
Dealership Services Group

www.cpabr.com

Nate Yost | Principal
717.761.7210 | nyost@cpabr.com