



Incorporating the World, One
Company At A Time

Corp1, Inc.
www.corp1.com

Colorado | COorders@corp1.com
720-644-6144

Delaware | orders@corp1.com
302-736-3466

Wyoming | WYorders@corp1.com
307.200.2966



CORPORATE TRANSPARENCY ACT WHAT YOU NEED TO KNOW

Beginning January 1, 2024, all new entities (“reporting company”) will need to file a Beneficial Ownership Information Report (BOIR) with the US Dept. of Treasury, Financial Crimes Enforcement Network (FinCEN). This BOIR must identify the beneficial owners **and** anyone with “substantial control” of the reporting company. They also must identify two of the “company applicants” involved in the process of forming the entity, **within 90 days from the date of receiving actual or public notice of their creation or registration becoming effective to file their annual reports.**

Domestic or foreign reporting companies formed or registered **before** January 1, 2024, will have one year (until January 1, 2025) to file their initial reports.

Reporting Companies have 90 days to report any changes to the information in their previously filed FinCEN reports and must correct inaccurate information in previously filed reports within 30 days of when the reporting company becomes aware or has reason to know of the inaccuracy of information in earlier reports.

Key Facts and Definitions

- A **domestic reporting company** is a corporation, limited liability company (LLC), or any entity created by the filing of a document with the Secretary of State or any similar office under the law of a state or Indian tribe.
- A **foreign reporting company** is a corporation, LLC or other entity formed under the law of a foreign country that is registered to do business in any state or tribal jurisdiction by the filing of a document with the Secretary of State or any similar office.
- There are 23 entity types **exempt** from the definition of “reporting company”, including:
 - Publicly held issuers that file reports with the Securities and Exchange Commission, as well as broker-dealers, exchanges, clearing agencies, and investment companies that are registered or licensed under the federal securities laws.
 - Certain banks, credit unions and other licensed financial institutions.
 - Tax-exempt entities.
 - Large operating companies that employ 20+ full-time employees in the US with a physical presence in the U.S. and that has filed tax returns in the U.S. reflecting gross receipts or sales of more than \$5,000,000.
 - Inactive entities. An inactive entity in existence on or before January 1, 2020, is not engaged in active business, and is not owned by a foreign person, whether directly or indirectly, wholly, or partially. In addition, the inactive company:

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- *Has not experienced any change in ownership in the preceding 12-month period*
 - *Has not sent or received any funds in an amount greater than \$1,000, either directly or through any financial account in which the entity or any affiliate of the entity had an interest, in the preceding 12-month period; and*
 - *Does not otherwise hold any kind or type of assets, whether in the U.S. or abroad, including any ownership interest in any corporation, LLC or other similar entity.*
- Other types of entities, including certain trusts, GPs and decentralized autonomous organizations (DAOs) are excluded from the definitions to the extent that they are not created or registered by the filing of a document with the Secretary of State or similar office.
- A **Beneficial Owner** is any individual who directly or indirectly, either (1) exercises substantial control over a reporting company, or (2) owns or controls at least 25 percent of the ownership interest of a reporting company. Substantial control includes a senior officer and any other person who directs, determines, or has substantial influence over important decisions made by the reporting company, whether the control is direct or indirect.
 - Ownership interest includes any instrument convertible, with or without consideration including convertible securities, options, warrants and other instruments.
- There are 5 types of individuals are **exempt** from the definition of Beneficial Owner:
 - A minor child,
 - An individual acting as a nominee, intermediary, custodian or other agent on behalf of another individual,
 - An employee of a reporting company acting solely as an employee and who is not a senior officer,
 - An individual whose only interest in the reporting company is a future interest through right of inheritance and
 - A creditor of a reporting company
- Only 2 **Company Applicant** persons in the filing chain need to be identified. The company applicant is either:
 - The individual who directly files the document that creates the entity, or in the case of a foreign reporting company, the document that first registered the entity to do business in the U.S., or
 - The individual who is primarily responsible for directing or controlling the filing of the relevant document by another.
 - In both cases, be sure to use the individuals' business address and not their home address.
- Existing companies do not need to report Company Applicants; newly formed entities formed after January 1, 2024 do.
- Corp1 staff will supply our Company Applicant FinCEN Identifier on the bottom of every filing invoice so that the Reporting Company will have the information it needs to file their BOIR.

Beneficial Ownership Information Reports (BOI Reports)

When filing BOI Reports with FinCEN, the reporting company must identify itself and report 4 pieces of information about each of its beneficial owners AND for 2 of the Company Applicants. Reporting companies created after January 1, 2024 must provide the 4 pieces of information and document image

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for company applicants as well:

- Name,
- Birthdate,
- Business Address, and
- A unique identifying number and issuing jurisdiction from an acceptable identification document (and the image of such document) i.e.: driver's license or passport

Individuals may obtain a "FinCEN Identifier" which can be provided to FinCEN on a BOI report in lieu of the required information about the individual.

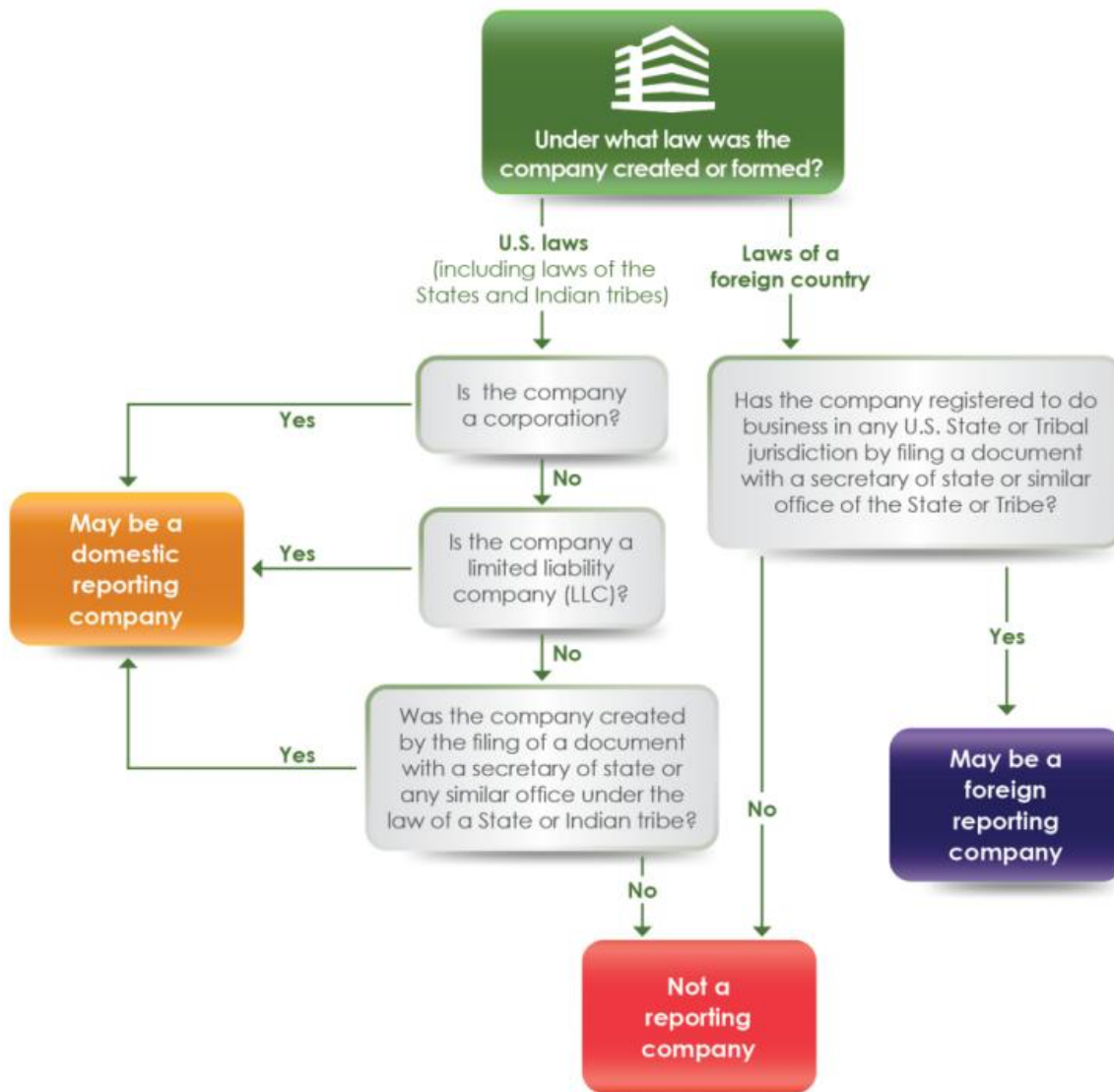
Substantial Control

- It's not just ownership... it is also individuals with substantial control over the Reporting Company and includes people in positions of authority*
- Ownership interest = 25% or greater ownership interest in the Reporting Company
- Senior officer
- Authority to appoint or remove certain officers or a majority of directors
- Decision maker
- Excludes ministerial roles (such as Secretary or Treasurer)
- Excludes ordinary day-to-day managerial decisions
- Excludes 3rd party professional services

*Note that when a minor child who has 25% or more ownership in a Reporting Company comes of age, then that will trigger a requirement to file an updated BOI Report.

Penalties for Failure to File a Report

- \$500 per day
- In the case of willful violation, up to 2 years in prison



LINKS

News Release: <https://www.fincen.gov/news/news-releases/fincen-extends-deadline-companies-created-or-registered-2024-file-beneficial>

Financial Crimes Enforcement Network (FinCEN) Beneficial Ownership Webpage
www.fincen.gov/boi

FinCEN Fact Sheet
www.fincen.gov/nprm-fact-sheet

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FinCEN FAQs

<https://www.fincen.gov/boi-faqs>

FinCEN Regulatory Support Section

800.767.2825

frc@fincen.gov

Federal Register: The Daily Journal of the United States Government

www.federalregister.gov/documents/2022/09/30/2022-21020/beneficial-ownership-information-reporting-requirements