



YOUNG MOORE
ATTORNEYS

Legal Update

CORPORATE TRANSPARENCY ACT (CTA)

A significant change in federal law became effective on January 1, 2024.

This change impacts nearly all small businesses operating through a legal entity such as a corporation, limited liability company, limited partnership or other similar entity. This law, the Corporate Transparency Act (the "CTA"), requires every Reporting Company that is not exempt to file a beneficial ownership report (a "Report") with the Financial Crimes Enforcement Network ("FinCEN") of the U.S. Treasury. If you are an officer, manager, or owner of a corporation, limited liability company, limited partnership or other similar entity, you should read this notice carefully and take appropriate action.

For entities formed prior to January 1, 2024, the Report must be filed with FinCEN no later than December 31, 2024. For entities created after January 1, 2024, and prior to January 1, 2025, the Report must be filed within 90 days from the date the entity was created. For entities created on or after January 1, 2025, the Report must be filed within 30 days from the date the entity was created.

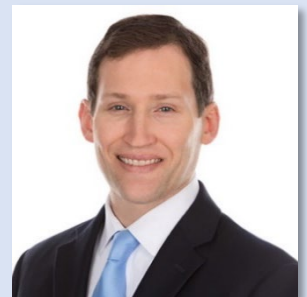
This notice outlines the general documents and information needed to determine whether your company needs to file a FinCEN Report and, if so, who are the Beneficial Owners to be identified in that report. You are responsible for preparing your Report and filing it with FinCEN by the applicable deadline.

The CTA imposes a \$500 per day fine on Reporting Companies that fail to file on time. In addition, a willful failure to file can be punished as a felony.

Additional information about the reporting requirements is provided on the enclosed CTA Fact Sheet and available on FinCEN's beneficial ownership information webpage, <https://fincen.gov/boi>. We encourage you to review this information carefully.

For more information, please email Stephen Brown at CorporateTransparencyAct@YMH.com.

Stephen focuses his practice on business formation and structuring, wealth transfer planning and estate litigation and fiduciary dispute resolution. He regularly advises closely held businesses on a range of issues, including governance, mergers and acquisitions, buy-sell agreements, employment agreements and federal and state tax disputes.



STEPHEN A. BROWN

 **ANOTHER PROBLEM SOLVED**
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FACT SHEET - CORPORATE TRANSPARENCY ACT (CTA)



The Corporate Transparency Act (the "CTA"), enacted in 2021 and effective on January 1, 2024, is designed to combat the use of shell companies for illicit activities such as money laundering, terrorist financing, tax fraud and corruption by uncovering illicit actors that use corporate structures to conceal their individual identities. The CTA requires certain companies formed or registered to do business in the United States to report its "beneficial ownership information" ("BOI").

COMPANIES REQUIRED TO FILE A BOI REPORT

The CTA applies to any corporation, LLC or other legal entity formed by the filing of a document with a Secretary of State (or any entity formed outside the U.S. that is registered to do business in the U.S. by filing a document with a Secretary of State) (each, a "Reporting Company").

COMPANIES EXEMPT FROM THE CTA'S REQUIREMENTS

Some Reporting Companies are exempt from the CTA's requirements, most of which cover companies already subject to regulation by government entities, including:

- Public companies
- Large private companies
- Regulated insurance companies
- Public accounting firms
- Registered investment companies and advisors
- Banks
- Regulated public utilities
- Certain tax-exempt entities.

A full list of exemptions is available at <https://fincen.gov/boi>

REPORTING TIMELINES

FOR ENTITIES FORMED	REPORT MUST BE FILED WITH FINCEN
Prior to January 1, 2024	Prior to January 1, 2025
On or after January 1, 2024, and prior to January 1, 2025	Within 90 calendar days after the date of formation (or the date of registration, in the case of a foreign Reporting Company).
On or after January 1, 2025	Within 30 calendar days after the date of formation (or the date of registration, in the case of a foreign Reporting Company)

CHANGES IN BOI REPORT TIMELINE

If there is any change in information previously reported to FinCEN in a BOI report (including but not limited to a Beneficial Owner's change of residential address), the Reporting Company will have 30 calendar days to file an updated report reflecting the change in information.

PENALTIES FOR NONCOMPLIANCE

The penalties for noncompliance include both civil and criminal penalties for anyone who willfully fails to report or update BOI or provides false information in a report. Civil penalties include a fine of \$500 per day (not to exceed \$10,000) and criminal penalties include up to two years of imprisonment.

For more information, please email Young Moore attorney, Stephen A. Brown, at CorporateTransparencyAct@YMH.com.



FACT SHEET - CORPORATE TRANSPARENCY ACT (CTA)

(continued)

DETERMINING BENEFICIAL OWNERS AND COMPANY APPLICANTS

BENEFICIAL OWNER

Once it is determined whether an entity meets the definition of a Reporting Company, the next step is to identify the Reporting Company's Beneficial Owner(s). A Beneficial Owner is any individual who, directly or indirectly, meets at least one of the following criteria:

- Exercises "substantial control" over the Reporting Company; or
- Owns or controls at least 25% of the "ownership interest" of the Reporting Company.

Beneficial Owners may also include individuals that hold ownership interests in a Reporting Company through a trust or similar arrangement as well as those owning or controlling one or more intermediate entities that separately or collectively own or control ownership interests of a Reporting Company. The identity of each of these individuals must be reported to the Department of the Treasury's Financial Crimes Enforcement Network ("FinCEN").

SUBSTANTIAL CONTROL

Under the final rule the CTA published, "substantial control" means:

- 1) Service as a senior officer (i.e. President, CEO, CFO, COO, General Counsel or other officer that serves the same functions as those named),
- 2) Authority over the appointment or removal of any senior officer or dominant majority of the board of directors (or other similar governing body) of a Reporting Company,
- 3) Direction, determination or decision of, or substantial influence over, important matters of a Reporting Company, or
- 4) Any other form of substantial control over the Reporting Company.

OWNERSHIP INTEREST

The final rule defines "ownership interest" as any instrument, contract, arrangement, understanding, or mechanism used to establish ownership, such as any equity, stock, capital, or profit interest.

COMPANY APPLICANT

For a Reporting Company formed on or after January 1, 2024, a Reporting Company must also file certain information regarding its Company Applicant. A Company Applicant is either the direct filer of the information or the person overseeing the filing of the information. If an advisor is retained to complete the filing on behalf of the Reporting Company, he or she will also be a Company Applicant in addition to the person employed by the Reporting Company who is overseeing this compliance process

For more information, please email Young Moore attorney, Stephen A. Brown, at CorporateTransparencyAct@YMH.com.



FACT SHEET - CORPORATE TRANSPARENCY ACT (CTA)

(continued)

REPORTING INFORMATION: WHAT TO REPORT

Every Reporting Company must file its initial BOI report with FinCEN through a new federal government online portal called the "Beneficial Ownership Secure System" ("BOSS"). For filing efficiency, any individual or entity may obtain a FinCEN identifier (referred to as a "FinCEN ID") by providing FinCEN the same information that a Reporting Company is required to report regarding the individual or entity.

REPORTING COMPANY INFORMATION TO REPORT

The Reporting Company must report the following on the BOSS:

- 1) Full legal name including any trade names or d/b/a names
- 2) Its principal place of business
- 3) Its jurisdiction of formation
- 4) A unique taxpayer ID number (TIN and EIN)

BENEFICIAL OWNER INFORMATION TO REPORT

The Reporting Company will need to identify its Beneficial Owners and for each one provide their FinCEN ID or all of the following:

- 1) Full legal name of each owner
- 2) Residential address
- 3) Date of birth
- 4) A "unique identifying number" (which can be a driver's license or passport)
- 5) An image of the document that provides the unique identifying number

COMPANY APPLICANT INFORMATION TO REPORT

The Reporting Company will need to identify the Company Applicant(s) and for each one provide their FinCEN ID or all of the following:

- 1) Full legal name of each owner
- 2) Residential address
- 3) Date of birth
- 4) A "unique identifying number" (which can be a driver's license or passport)
- 5) An image of the document that provides the unique identifying number

ADDITIONAL RESOURCES

For current guidance and updates related to the CTA rules and to assist entities in working through these complex provisions in an organized manner, FinCEN has released a "Small Entity Compliance Guide" available at: <https://fincen.gov/boi/small-business-resources> and has also published a list of FAQs available at <https://fincen.gov/boi-faqs>.

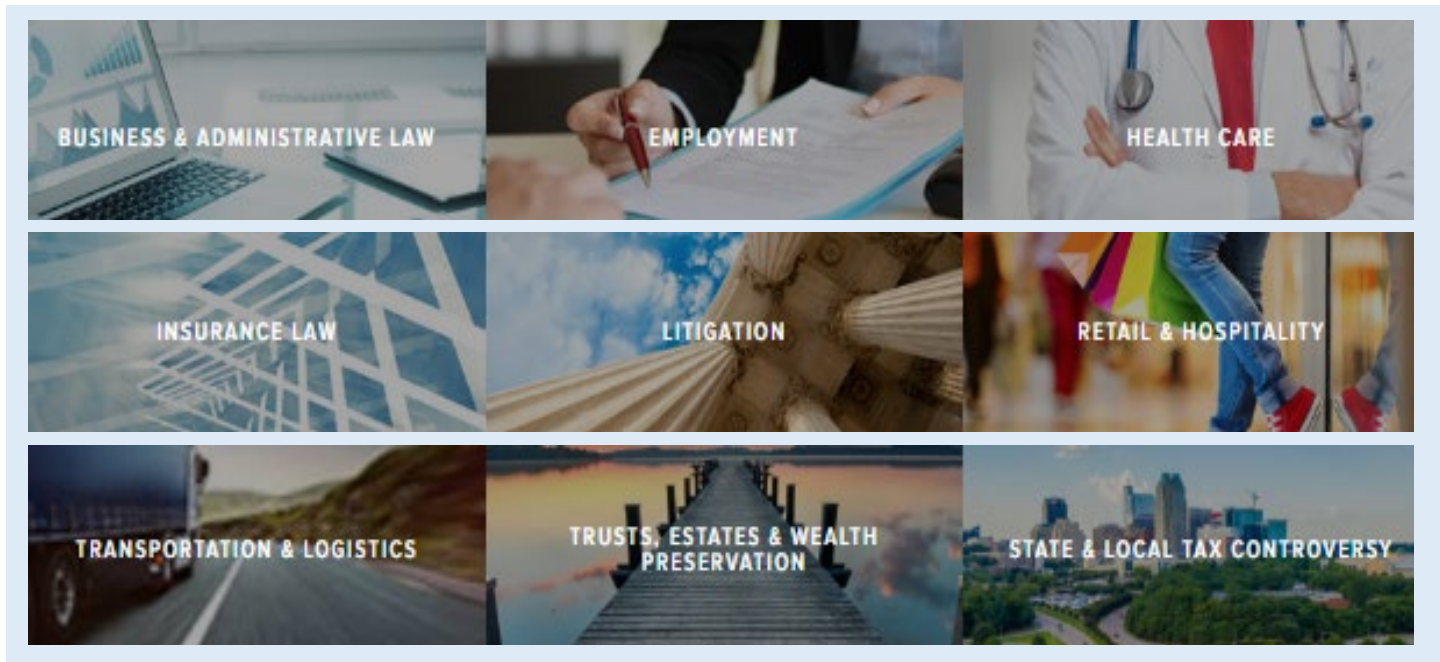
For more information, please email Young Moore attorney, Stephen A. Brown, at CorporateTransparencyAct@YMH.com.



ABOUT YOUNG MOORE AND HENDERSON, P.A.

For over 60 years, Young Moore has thrived on the foundation of personal relationships and a commitment to excellence. Whether you require ongoing legal counsel or face a unique challenge in one of our many practice areas, we'll work to understand your needs as intimately as we understand the law. You need representation you can trust, and you'll find it in our rigorous advocacy and unyielding integrity.

OUR BROAD RANGE OF PRACTICE AREAS INCLUDES:



Young Moore's team of more than 40 attorneys brings a wealth of industry experience to serve both companies and individuals across North Carolina and beyond. From transportation to healthcare, insurance to education, and nearly everything in between, we're dedicated to standing by your side and crafting a custom solution that fits your unique needs.

To us, every legal matter is an opportunity to apply our talent, passion, and experience. To you, it's simply peace of mind—and **Another Problem Solved.**

OUR SERVICES INCLUDE:

- 24-Hour Accident Response & Investigation
- Administration of Trusts, Estates & Probate
- Administrative Law
- Appellate Practice
- Asset Protection
- Business Law
- Business Litigation
- Business Succession Planning
- Charitable Gift Planning & Tax-Exempt Organizations
- Condemnation & Eminent Domain
- Construction Law
- Education Law
- Electronic Health Records
- Employment Contracts
- Employment Litigation
- Estate Litigation & Fiduciary Dispute Resolution
- Governmental Affairs
- Health Care
- Insurance Coverage & Bad Faith Litigation
- Insurance Defense
- Insurance Regulation
- Licensing Boards & Commissions
- Life, Accident & Health, Disability Insurance & Reinsurance
- Litigation
- Medical Risk Management
- Medical Malpractice Defense
- Nursing Home/Long Term Care Litigation
- Premises Liability
- Product Liability
- Professional Liability
- Real Estate
- Retail & Hospitality
- Special Needs Planning & Guardianship
- State & Local Tax
- Transportation & Logistics
- Trucking Accidents & Litigation
- Trusts, Estates & Wealth Preservation
- Wills, Trusts & Tax Planning
- Workers' Compensation