

The U.S. Federal Government wants to know more about your LLCs and corporations

Sunday, December 31, 2023

The United States will be requiring more information into the ownership of certain limited liabilities companies (LLCs) and corporations created and operating in the country. The U.S. Department of Treasury's Financial Crimes Enforcement Network, or FinCen, will be responsible for overseeing the new transparency law and filing requirements of the certain LLCs and corporations created and operating in the United States.

What happened?

The U.S. Department of Treasury has tasked FinCen, an agency within the department, to create, maintain, and oversee the implementation of the new federal law. FinCen will create the Beneficial Ownership Information (BOI) national registry for individuals to enter their ownership information about certain LLCs and corporations. FinCen will be responsible for managing the national registry and providing reports to Congress about the registered LLCs and corporations. FinCen will also be responsible for enforcing the law and assessing penalties for non-filers. In addition, FinCen will be the agency responsible for managing BOI information requests from agencies engaged in national security, intelligence, or law enforcement; foreign law enforcement agencies and other authorities within certain limits; banks and non-bank financial institutions; and Treasury officers and employees.

Why is it happening?

There are growing concerns about many LLCs and cloud of ownership associated with these entities. There are also concerns that many LLCs are shell companies that engage in questionable or illegal activities that harm the U.S., its citizens, and national security. Another concern is the rise in the number of LLCs without knowing who is behind the operations.

As part of the William M. (Mac) Thornberry National Defense Authorization Act for Fiscal Year 2021, the U.S. Senate and House approved a new bill called "The Corporate Transparency Act" that requires individuals of certain LLCs and corporations started and operating in the United States to register their ownership of the entity into a national database managed by FinCen.

Why it matters?

The new law, which takes effect on January 1, 2024, will keep a running record of certain LLCs and corporations created and operating in the United States. The purpose is to have a better idea of who is starting and operating certain LLCs and corporations in the United States under the guise of transparency, accountability, and nation security.

This requirement comes with penalties for not filing on annual basis. This new requirement will have an impact on organizations from government to the private sector

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by having to ensure its contractors are compliant with the new law. After all, no one wants to be on the Fed's radar for starting and doing business with certain LLCs and corporations that did not follow the law. It is a reputational, legal, compliance, and financial risk that could be costly to you, business partners, employees, and customers.

What's next?

Individuals with certain LLCs and corporations or planning to start such organizations will need to familiarize themselves with the new law. Individuals will need to know if they fall in the category of needing to file. January 1, 2024, will be the date when the new law and requirements goes into effect. Overall, it is a new day where transparency will be on the U.S. federal governments' radar. It is better to be informed and follow the new requirement rather than to be on the wrong side and made an example of what happens if you do not follow the requirements.

For deeper context

More information is available at [FinCen](#) about the BOI reporting requirements.

You can reach us at info@ccompliancegroup.com for straightforward information and assistance to help you minimize noncompliance issues related to the new filing requirement. Also, let us know if you are interested in our future trainings and material related to the new BOI requirements.