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Business Matters

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CONTACT US

www.adkinslawyers.com

Dallas

214.330.2881

Houston

713.828.1287

OFFICES

Dallas

2626 Cole Ave.,
Suite 300
Dallas, Texas 75204

Houston

5718 Westheimer
Rd., Suite 1000
Houston, Texas
77057

ABOUT ALERT

Business Matters is published by the law firm of ADKINS LAWYERS, PLLC to inform readers of relevant updates and changes to business and related laws. It is not intended nor should it be used as a substitute for legal advice or opinion which can only be rendered when related to specific fact situations. For more information, please call 214.330.2881 or visit us at: www.dlgam.com.

ABOUT FIRM

A champion of businesses, big and small, ADKINS LAWYERS, PLLC provides smart solutions and a strong legal defense™ to businesses, their management personnel, and internal corporate, and HR departments at every stage of the business.



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New Federal B.O.I. Reporting Mandate for LLCs & Corporations.

Why: (1) It Likely Applies to Your Business & (2) Your Failure to Comply is No Laughing Matter.

By Alia Adkins-Derrick

If you have incorporated your business in any state or territory of the United States, you need to determine whether the new federally mandated Beneficial Ownership Information ("BOI") reporting requirement applies to your business. If it does and you fail (or forget) to comply, you may be subject to serious civil and criminal penalties that could include imprisonment.

Most know that forming a LLC, corporation (Inc., C-Corp), or other legal entity through a secretary of state or similar office or department of a state, territory, or Indian tribe in the United States (collectively referred to as "state") helps to shield business owners from personal liability. Few business owners, however, realize that if you have not yet taken the necessary steps to determine whether the new Beneficial Ownership Information ("BOI") Reporting mandate applies to your business, the clock is ticking to do so. If it turns out that it does apply and you miss the deadline to do so, it could cost you dearly of your money, time, and even your freedom. So you had better act now since ignorance of the law is no defense.

The BOI Reporting Mandate.

In recent years, the U.S. government has ramped up its efforts to crack down on financial crimes like money laundering, tax fraud, and financing of terrorism, among other crimes. As a direct result, the reporting requirements of the

Corporate Transparency Act ("CTA"), a new federal law impacting small business owners around the globe, went into effect on January 1, 2024. The CTA requires that all non-exempt US and foreign businesses doing business in the US report beneficial ownership information ("BOI") (about the entity, its beneficial owners, and in certain cases its company applicants) to the Financial Crimes Enforcement Network (FinCEN), a bureau of the U.S. Department of the Treasury.

Who Must File.

Generally, LLCs, corporations, and other entity types created or registered by filing with a U.S. state are not exempt from the BOI Report filing mandate because they are not: (1) a "large operating company" (with 20 or more full-time employees, a physical US office, and a prior year federal income tax or information return filing of more than \$5 million in gross sales or receipts from US sources); or (2) already subject to, and operating under, other heavy federal regulations and reporting requirements. See FinCEN's Small Entity Compliance Guide for more information on which entities qualify for an exemption. As a result, most startup and existing companies will be required to complete a BOI Report, certify its contents are true and correct, and file it with FinCEN by the applicable deadline to avoid civil and criminal penalties.

Filing Deadlines.

As shown below, deadlines to make the initial filing varies based on when the company was registered to do business in the US:

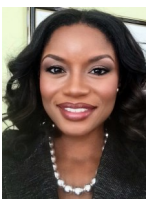
Date Business Created/ Registered in U.S.:	Initial BOI Report Filing Deadline:
1. Before Jan. 1, 2024	Due by Jan. 1, 2025.
2. On or after Jan. 1, 2024 <u>and before</u> Jan. 1, 2025	Within <u>90 days after</u> receiving actual or public notice that its creation or registration is effective.
3. After January 1, 2025	Within <u>30 days after</u> receiving actual or public notice that its creation or registration is effective.

Updating BOI Report is Required.

If there is any change to the required information about a reporting business or its beneficial owners in a BOI Report that was previously filed, the reporting business must file an updated BOI Report no later than 30 days after the date on which the change occurred. Similarly, if the reporting business identifies an inaccuracy in a BOI Report that was previously filed, the reporting business must correct it no later than 30 days after the date the reporting business became aware of the inaccuracy or had reason to know of it. We, of course, regularly assist our clients with filing BOI Reports. For more information about filing it go to: <https://www.fincen.gov/boi>.

A Final Word of CAUTION: Plan Ahead to Avoid Civil & Criminal Penalties.

Violators who fail to report by the deadline or report false information may be subject to civil penalties of up to \$500 for each day that the violation continues and may also be subject to criminal penalties of up to two years imprisonment and a fine of up to \$10,000. You can file with FinCEN yourself for free. However, if you are too busy, need or simply desire assistance with properly reporting, we are here and ready to help firm clients. The minimal legal cost to do so will pale in comparison to the costly potential civil and criminal penalties exacted against you and your business for failing (or forgetting) to do so by the deadline. Ultimately, then, it is in your best interest to plan ahead and take the necessary steps to file before the deadlines.



ALIA ADKINS-DERRICK is the Managing Partner and a Certified Mediator at ADKINS LAWYERS, PLLC, a premier boutique law firm. Ms. Adkins-Derrick helps clients protect their interests and tackle complex business, employment, contract, and civil litigation matters and provides specialized mediation services. She can be reached by email at aadkins@adkinslawyers.com or by phone at 214.330.2881 (Dallas) or 713.828.1287 (Houston).

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Contact Us

www.adkinslawyers.com

Dallas, Texas
214.330.2881

Houston, Texas
713.828.1287