

# Corporate Transparency Act — Beneficial Ownership Information Reporting Requirement

Dear Client

HTJ.TAX (“firm,” “we,” “us,” or “our”) is pleased to provide you with the professional services described below. This letter, and the attached Terms and Conditions Addendum and any other attachments incorporated herein (collectively, “Agreement”), confirm our understanding of the terms and objectives of our engagement and the nature and limitations of the services we will provide. The engagement between you and our firm will be governed by the terms of this Agreement.

Starting January 1, 2024, a significant number of businesses are required to comply with the Corporate Transparency Act (“CTA”). The CTA was enacted into law as part of the National Defense Act for Fiscal Year 2021. The CTA requires the disclosure of the beneficial ownership information (otherwise known as “BOI”) of certain entities from people who own or control a company.

It is anticipated that 32.6 million businesses will be required to comply with this reporting requirement. The intent of the BOI reporting requirement is to help US law enforcement combat money laundering, the financing of terrorism and other illicit activity.

The CTA is not a part of the tax code. Instead, it is a part of the Bank Secrecy Act, a set of federal laws that require record-keeping and report filing on certain types of financial transactions. Under the CTA, BOI reports will not be filed with the IRS, but with the Financial Crimes Enforcement Network (FinCEN), another agency of the Department of Treasury.

Below is some preliminary information for you to consider as you approach the implementation period for this new reporting requirement. This information is meant to be general-only and should not be applied to your specific facts and circumstances without consultation with competent legal counsel and/or other retained professional adviser.

## **What entities are required to comply with the CTA’s BOI reporting requirement?**

Entities organized both in the U.S. and outside the U.S. may be subject to the CTA’s reporting requirements. Domestic companies required to report include corporations, limited liability companies (LLCs) or any similar entity created by the filing of a document with a secretary of state or any similar office under the law of a state or Indian tribe.

Domestic entities that are not created by the filing of a document with a secretary of state or similar office are not required to report under the CTA.

Foreign companies required to report under the CTA include corporations, LLCs or any similar entity that is formed under the law of a foreign country and registered to do business

in any state or tribal jurisdiction by filing a document with a secretary of state or any similar office.

### **Are there any exemptions from the filing requirements?**

There are 23 categories of exemptions. Included in the exemptions list are publicly traded companies, banks and credit unions, securities brokers/dealers, public accounting firms, tax-exempt entities and certain inactive entities, among others. Please note these are not blanket exemptions and many of these entities are already heavily regulated by the government and thus already disclose their BOI to a government authority.

In addition, certain “large operating entities” are exempt from filing. To qualify for this exemption, the company must:

1. Employ more than 20 people in the U.S.;
2. Have reported gross revenue (or sales) of over \$5M on the prior year’s tax return; **and**
3. Be physically present in the U.S.

### **Who is a beneficial owner?**

Any individual who, directly or indirectly, either:

- Exercises “substantial control” over a reporting company, or
- Owns or controls at least 25 percent of the ownership interests of a reporting company

An individual has substantial control of a reporting company if they direct, determine or exercise substantial influence over important decisions of the reporting company. This includes any senior officers of the reporting company, regardless of formal title or if they have no ownership interest in the reporting company.

The detailed CTA regulations define the terms “substantial control” and “ownership interest” further.

### **When must companies file?**

There are different filing time frames depending on when an entity is registered/formed or if there is a change to the beneficial owner’s information.

- New entities (created/registered in 2024) — must file within 90 days
- New entities (created/registered after 12/31/2024) — must file within 30 days
- Existing entities (created/registered before 1/1/24) — must file by 1/1/25
- Reporting companies that have changes to previously reported information or discover inaccuracies in previously filed reports — must file within 30 days

### **What sort of information is required to be reported?**

Companies must report the following information: full name of the reporting company, any trade name or doing business as (DBA) name, business address, state or Tribal jurisdiction of formation, and an IRS taxpayer identification number (TIN).

Additionally, information on the beneficial owners of the entity and for newly created entities, the company applicants of the entity is required. This information includes — name, birthdate, address, and unique identifying number and issuing jurisdiction from an acceptable identification document (e.g., a driver's license or passport) and an image of such document.

### **Risk of non-compliance**

Penalties for willfully not complying with the BOI reporting requirement can result in criminal and civil penalties of \$500 per day and up to \$10,000 with up to two years of jail time. For more information about the CTA, visit [www.aicpa-cima.com/boi](http://www.aicpa-cima.com/boi).

### **Engagement Objective and Scope**

We can assist you in meeting your BOI reporting obligations. We will not prepare any reports, tax forms or tax returns other than those identified above, without your written request, and our written consent to do so. We will rely upon the completeness and accuracy of the information and representations you provide to us to prepare your BOI report. We have not been engaged to and will not prepare financial statements. We will not audit or otherwise verify the data you submit to us, although we may ask you to clarify certain information. We also may ask you to authorize your attorney to release information to us.

We will prepare the above-referenced report solely for filing with FinCEN. Our work is not intended to benefit or influence any third party, either to obtain credit or for any other purpose.

You agree to indemnify and hold us harmless with respect to any and all claims arising from the use of the BOI for any purpose other than filing with FinCEN regardless of the nature of the claim, including the negligence of any party.

Our engagement does not include any procedures designed to detect errors, fraud, or theft. Therefore, our engagement cannot be relied upon to disclose such matters. In addition, we are not responsible for identifying or communicating deficiencies in your internal controls. You are responsible for developing and implementing internal controls applicable to your operations.

This engagement is limited to the professional services outlined above.

### **Firm Responsibilities**

Unless otherwise noted, we will perform our services in accordance with the Statements on Standards for Tax Services ("SSTSs") issued by the American Institute of Certified Public Accountants ("AICPA") and U.S. Treasury Department Circular 230 ("Circular 230"). It is our duty to perform services with the same standard of care that a reasonable tax return preparer would exercise in this type of engagement. It is your responsibility to safeguard your assets and maintain accurate records pertaining to transactions. We will not hold your property in trust for you, or otherwise accept fiduciary duties in the performance of the engagement.

HTJ.TAX, in its sole professional judgment, reserves the right to refuse to take any action that could be construed as making management decisions or performing management functions on your behalf.

### **Client Responsibilities**

You are responsible for informing us of all aspects of the ownership and control of your entities. Please disclose all relevant reportable items. You are responsible for asking us if you have any questions about what is required to be reported.

### Documentation

You are responsible for maintaining adequate documentation to substantiate the accuracy and completeness of your BOI. You should retain all documents that provide evidence and support for reported BOI reports, as required under applicable laws and regulations. You represent that you have such documentation and can produce it, if necessary, to respond to any audit or inquiry by FinCEN, or other tax authorities. You agree to hold our firm harmless from any liability including but not limited to, civil or criminal penalties, additional tax, interest and professional fees due to inadequate documentation.

Please let us know if you have any questions.

Read our privacy policy here - <https://htj.tax/privacy-notice/>

Very truly yours,

HTJ.TAX

A handwritten signature in black ink, appearing to be 'DJ' or 'Derren Joseph'.

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Derren Joseph