

# Corporate Transparency Act - Beneficial Ownership Information



SECRETARY *of* STATE  

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# Background





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In 2021, Congress enacted the bipartisan Corporate Transparency Act to curb illicit finance, increase transparency and make it harder for bad actors to hide or benefit from illicit activities through shell companies or conceal ownership structures.

This law requires many companies doing business in the United States to report information about who ultimately owns or controls them to the US Department of Treasury's Financial Crimes Enforcement Network (FinCEN).

In Illinois, this law will affect over 800,000 foreign and domestic businesses registered with the Illinois Secretary of State Office.



# Background

Companies are required to file this one-time report by the following deadlines.

Businesses registered/created:

- **prior to January 1, 2024**, you will have until January 1, 2025 to file a report.
- **on or after January 1, 2024** and before January 1, 2025, must file a report within 90 calendar days of receiving confirmation of incorporation.
- **on or after January 1, 2025**, must file a report within 30 calendar days of receiving confirmation of incorporation.

Updates or corrections to previously filed BOI reports must be submitted within 30 days after a change occurs.



**Who is required to report?**



# Reporting Company Criteria

- Most corporations, limited liability companies (LLCs), or other entities, both domestic and foreign, registered with the Illinois Secretary of State's Department of Business Services.
- Entities with fewer than 20 employees in the U.S. and less than \$5 million in gross receipts or sales.
- Companies who do not meet the 23 exemptions identified by FinCEN
  - An entity that has always been exempt from the BOI reporting requirements does not need to report to FinCEN

Exemption No.	Exemption Short Title
1	Securities reporting issuer
2	Governmental authority
3	Bank
4	Credit union
5	Depository institution holding company
6	Money services business
7	Broker or dealer in securities
8	Securities exchange or clearing agency
9	Other Exchange Act registered entity
10	Investment company or investment adviser
11	Venture capital fund adviser
12	Insurance company
13	State-licensed insurance producer
14	Commodity Exchange Act registered entity
15	Accounting firm
16	Public utility
17	Financial market utility
18	Pooled investment vehicle
19	Tax-exempt entity
20	Entity assisting a tax-exempt entity
21	Large operating company
22	Subsidiary of certain exempt entities
23	Inactive entity



# Common Exemptions - Tax Exempt

An exempt “tax-exempt entity” under the CTA includes:

- An organization that is described in [Code] section 501(c) (determined without regard to section 508(a) of the Code) and exempt from tax under section 501(a) of the Code
- An organization that is described in section 501(c) of the Code, and was exempt from tax under section 501(a) of the Code, but lost its tax-exempt status less than 180 days ago
- An entity that is a political organization, as defined in section 527(e)(1) of the Code, that is exempt from tax under section 527(a) of the Code,

**OR**

- An entity that is a trust described in paragraph (1) or (2) of section 4947(a) of the Code





# Common Exemptions - Tax Exempt

- Not-For-Profit does not equal tax exempt
- Entities formed after January 1, 2024, will typically not receive recognition from the IRS of their exempt status within the BOI reporting deadline (90 days in 2024, and 30 days for entities formed on or after January 1, 2025).
- Some types of 501(c) entities can self-declare their exempt status and without recognition by the IRS and therefore qualify for an exemption prior to receiving notice (as long as it does not lose tax-exempt status)
- However, all newly formed tax-exempt entities can take caution by submitting a BOI report to ensure compliance and adjusting once tax-exempt status is confirmed by the IRS



# Common Exemptions – Large Operating Companies

- The entity employs more than 20 full time employees (30+ hours/week) in the US
- The entity has an operating presence at a physical office within the United States.

AND

- The entity has more than \$5,000,000 in gross receipts or sales



# Common Exemptions – Inactive Companies

- The entity was in existence on or before January 1, 2020
- The entity is not engaged in active business.
- The entity is not owned by a foreign person, whether directly or indirectly, wholly or partially.
- The entity has not experienced any change in ownership in the preceding twelve-month period.
- The entity 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 twelve-month period.

## AND

- The entity does not otherwise hold any kind or type of assets, whether in the United States or abroad, including any ownership interest in any corporation, limited liability company, or other similar entity



**How this impacts your business**



# Why do I need to report this information?

- If a company is a corporation, limited liability company (LLC), or any other business created by filing a document with the Illinois Secretary of State's Business Services Department, this federal law requires it\*.
- Willful failure to report complete or updated beneficial ownership information (BOI), or any attempt to provide false or fraudulent information may result in a civil or criminal penalties,
  - civil penalties of up to \$500 for each day that the violation continues, or
  - criminal penalties including imprisonment for up to two years and/or a fine of up to \$10,000.



# What information do I need to report?

- Companies are required to report the beneficial owners and company applicants\*
  - A Beneficial Owner is any individual who, directly or indirectly:
    - Exercises substantial control over a company; OR
    - Owns or controls at least 25 percent of the ownership interests of a company
  - A Company Applicant is 1 or 2 individuals :
    - Who directly filed the document that created a domestic company, or filed the document that first registered a foreign company, and/or
    - Primarily responsible for directing or controlling the filing

\*Only companies created/registered on or after January 1, 2024 are required to file company applicants



# What information do I need to report?

## What is substantial Control?

1. The individual is a senior officer;
2. The individual has authority to appoint or remove certain officers or a majority of directors of the reporting company;
3. The individual is an important decision-maker over the company's business, finances or structure; OR
4. The individual has any other form of substantial control over the reporting company. See the chart below for details about these criteria



# What information do I need to report?

- Company information such as:
  - Full legal name
  - Any assumed name, trade name or DBA
  - Complete current US Address
  - State, Tribal or foreign jurisdiction of formation
  - IRS TIN or FEIN
- Beneficial Owner and/or Company Applicant Information such as:
  - Full legal name
  - Date of Birth
  - Complete current address
  - Current Identification





# Where do I need to submit my report?

- Companies report beneficial ownership information electronically through FinCEN's website: [www.fincen.gov/boi](http://www.fincen.gov/boi)
- A confirmation of receipt once a completed report is filed with FinCEN
- February 28th and 1pm CST, the Illinois Secretary State Office has partnered with the US Department of Treasury to provide an overview of this requirement and the reporting system.  
Registration link to follow



## Who will have access to the information in my report?

- Information in the report is confidential, but some exceptions allow disclosure.
  - Certain federal, state, local, tribal, and foreign officials can request access for national security, intelligence, and law enforcement purposes.
    - These entities will be required to provide specific reasons for why the information is necessary and relevant.
- With a company's permission, financial institutions can also access the information to help customers comply with certain requirements.



## What is the Secretary of State's Business Services' role?

- Increasing Awareness to the Business Communication
- Linking Businesses with Support and Technical Assistance Resources
- Business Services starts the deadline counter
  - In Illinois, FinCEN BOI reporting deadlines are based on when a company receives actual notice from Business Services that its creation or registration is effective or when Business Services provides public notice of its creation or registration, whichever is earlier.



## Where can I get help submitting a report?

- Information and guidance on exemptions, FAQs, and how to file can be found on FinCEN's website at [www.fincen.gov/boi](http://www.fincen.gov/boi).
- We have partnered with the Illinois Department of Commerce and Economic Opportunity's (DCEO) Small Business Development Centers (SBDCs) to provide free training and assistance to Illinois businesses.  
To find an SBDC near you, please visit [DCEO's Find a Center website](#).
- Please visit our website to stay up to date on changes to the FinCEN requirements, webinars and free resources available to the Illinois business community.  
[BOI Reporting \(ilsos.gov\)](http://ilsos.gov)



## Beware of scams

- Remember that this is a free, one-time, federally required filing.
- The Financial Crimes Enforcement Network does not
  - send unsolicited requests
  - seek personal or financial information from members of the public
  - have authority to freeze assets or block funds transfers
  - have any offices outside of the United States
- You should not click any links or scan any QR codes
- If you receive any emails, letters, or phone calls asking you to share your information to comply with the new regulations, they are most likely fraudulent.
  - FinCEN is aware of a scam that is likely titled "Important Compliance Notice"
- Illinois Secretary of State also keeps a list of known scams targeting Illinois businesses on our Business Services Department website.



# Questions

