

Healthcare Law Alert | A New Year, A New Deadline: Are You Ready To File Your Beneficial Ownership Reports Under The Federal Corporate Transparency Act?

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The Corporate Transparency Act of 2019 (CTA) was enacted to create a federal database of the beneficial ownership information of certain U.S. corporate entities and provide law enforcement with access to such data for the purpose of detecting, preventing and punishing terrorism, money laundering and other misconduct. Effective January 1, 2024, certain corporations, limited liability companies, limited liability partnerships, business trusts, and most limited partnerships (Reporting Companies) will be required to file beneficial ownership information reports (BOI Reports) with the FinCEN, a department within the U.S. Department of Treasury. [BOI Reports](#) identify who owns or controls certain entities and the company applicants who form or register these entities. For instance, any individual who, directly or indirectly, exercises substantial control over a Reporting Company, or owns or controls at least 25% of the ownership interest of the company, will need to disclose such ownership and file a BOI Report. Additionally, the name of anyone who directly filed an entity's organizational documents with a secretary of state, or who directed the filing of such documents, will need to be disclosed to FinCEN.

Certain entities will be exempt from filing BOI Reports, so long as they meet specific criteria. The CTA provides exemption from BOI Reporting for twenty (23) types of entities, such exempt entities include, but are not limited to, tax-exempt entities, inactive entities, sole proprietorship not created by filing documentation with a secretary of state, and "Large Operating Entities." The official FinCEN's [Small Entity Compliance Guide](#) states that "Large Operating Entities" may qualify for exemption if they meet certain key criteria, including but not limited to: (1) employing more than 20 full time employees; (2) filing a Federal income tax or information return showing more than \$5 Million in gross receipts for the previous year; and (3) reporting greater than \$5 Million as gross receipts or sales on the entity's applicable IRS forms.

Deadlines are fast approaching for Reporting Companies created or registered on or after January 1, 2024. They will have 90 days (after such creation or registration) to file their initial BOI Reports. For entities created or registered prior to January 1, 2024, they will have until January 1, 2025, to file their initial BOI Reports. Reporting Companies will file their BOI Reports electronically using FinCEN's secure filing system accessible via [FinCEN's website](#). The portal started to accept BOI Reports on January 1, 2024.

Under the CTA, willful failure to complete or update an entity's BOI Reports or providing false or fraudulent information can result in civil or criminal penalties. Civil penalties include monetary fines of up to \$500 for each day that the violation continues, while criminal penalties include imprisonment for up to two years and/or a fine of \$10,000. Thus, the Senior officers of an entity that fails to file its BOI Reports may be held accountable for such failure.

In light of the CTA, **all entities (healthcare or otherwise), the owners, and the officers thereof must rapidly determine whether they are exempt from the reporting requirements of the CTA based on one (or more) of the 23 exemptions defined in the statute.** Since the exemptions can be complex, business owners, officers, and managers should consult with their accounting or legal advisors to determine the applicability of the CTA and whether they must file BOI Reports. Once eligibility is established or ruled out, any change in the ownership structure or governance of the entity should trigger the same type of inquiry in order to avoid running afoul of this new federal requirement aimed at combatting terrorism and money laundering.

Brach Eichler healthcare law attorneys are available to assist you with access and any questions you may have.

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If you have any questions about this alert or any other corporate and healthcare matter, please contact:

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