

Beneficial Ownership Information (BOI) Report



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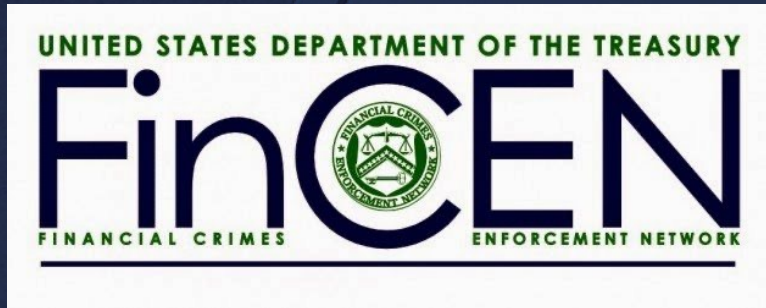
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Speaker

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General Concepts



Legal Statute

- Corporate Transparency Act (“CTA”)
 - Effective January 1, 2021
 - Part of the Bank Secrecy Act (“BSA”)
- Enacted to:
 - “better enable critical national security, intelligence, and law enforcement efforts to counter money laundering, the financing of terrorism, and other illicit activity” by creating a national registry of beneficial ownership information for “reporting companies”.

Background of CTA

- 2 million entities are created in US every year
- Sometimes used to promote money laundering, financing of terrorism, tax fraud, human and drug trafficking, counterfeiting, piracy, securities fraud, financial fraud and acts of foreign corruption

New Reporting Requirement



- Reporting Companies must report Beneficial Ownership Information (“BOI”) with the Financial Center (“FinCen”)
 - Beneficial Owner
 - Applicant
- It applies to **entities registered in the Puerto Rico Department of State**

Definitions



Reporting Companies

- Domestic Companies created by filing with the Department of State of any state or Indian Tribe
- Foreign Companies registered to do business with the Department of State of any State or Indian Tribe

Reporting Companies (cont.)

- Applies to
 - Corporations
 - LLCs
- Might not be applicable to Partnerships
 - Change in the Puerto Rico Civil Code

State

- Means any state of the United States, the District of Columbia, **the Commonwealth of Puerto Rico**, the Commonwealth of the Northern Mariana Islands, American Samoa, Guam, the United States Virgin Islands and any other commonwealth, territory or possession of the United States

United States

- Not a defined Term in the CTA or its regulations
- Not clear how it will apply to Puerto Rico

Beneficial Owner

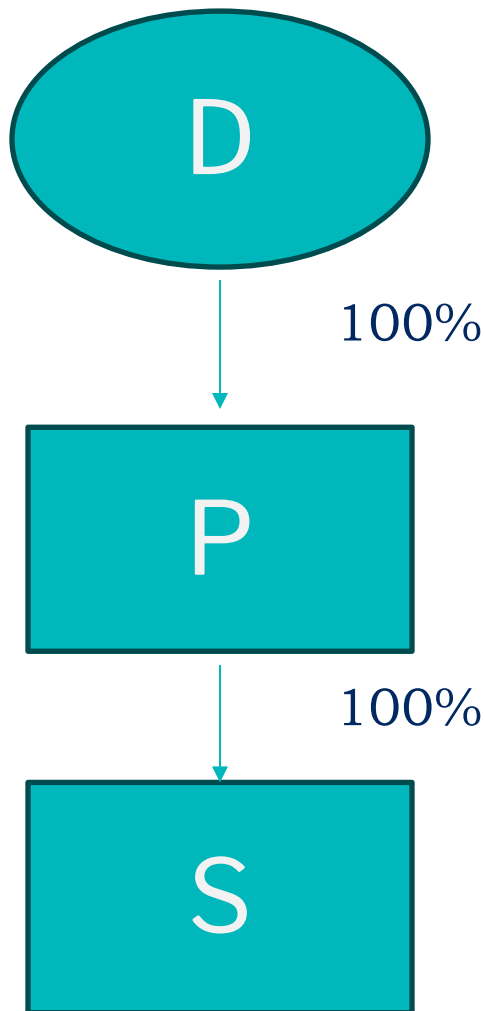
- An **Individual** who
 - Owns or control at least 25% of the interest in the Reporting Company, or
 - Exercises Substantial Control Over a Reporting Company

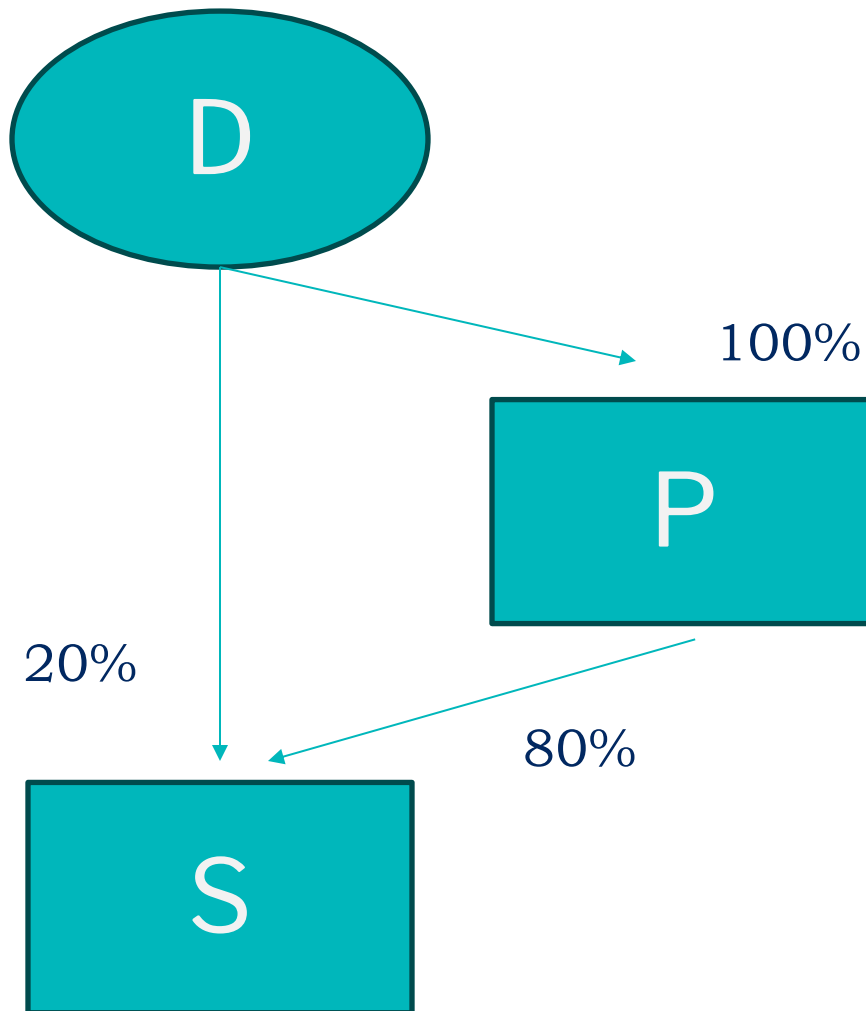
Substantial Control

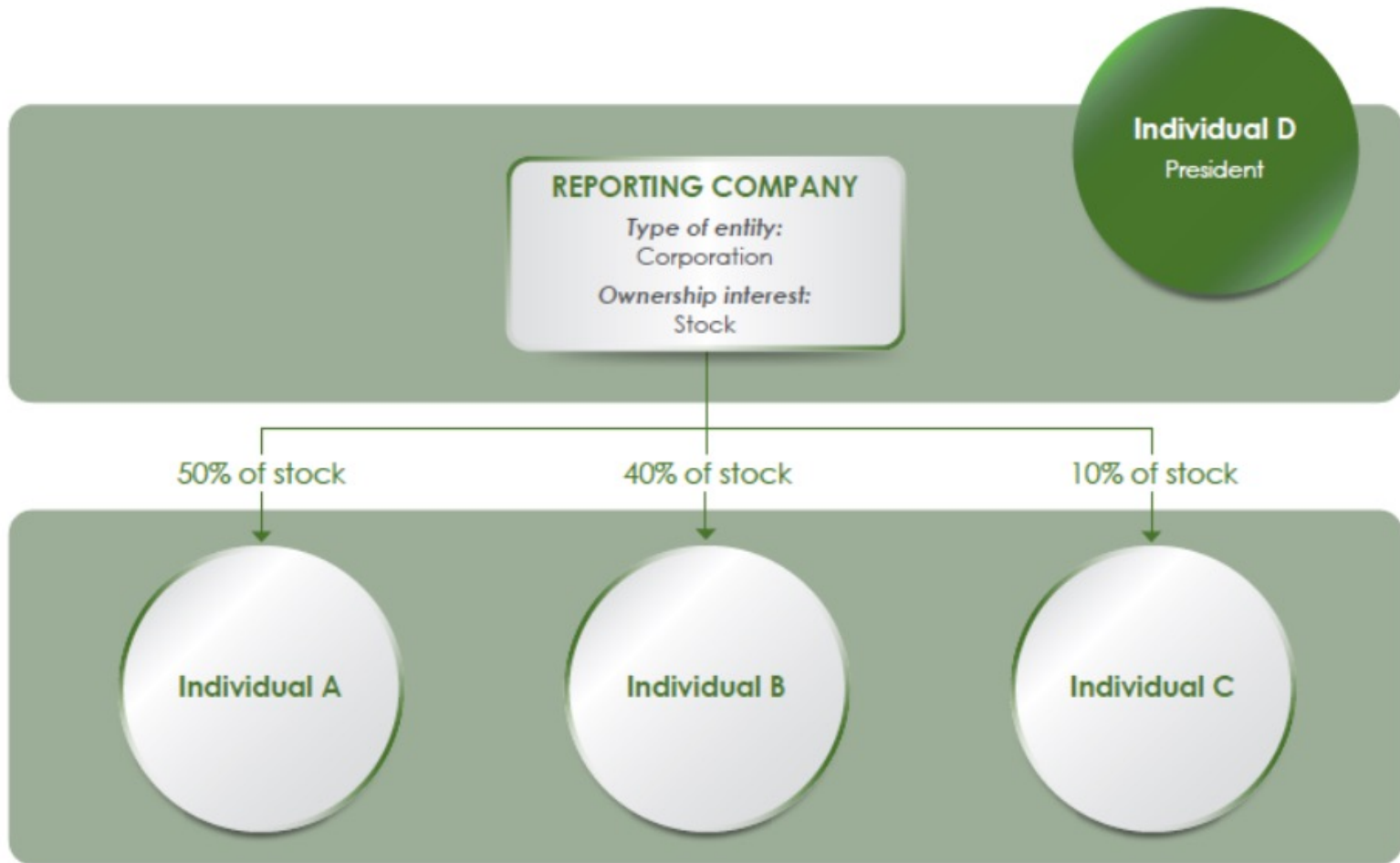
- Power over the reporting company.
Capacity to direct, determine or exercise substantial influence over important decisions of the reporting company.
- Indicators (Final Rule)
 - A Senior Officer
 - Authority to appoint and remove individuals
 - Direct, determine or influence important decisions

Not a Beneficial Owner

- Minors
- Individuals acting on behalf of other person
- Individuals acting as employees
 - Economic benefit as an employee
- Individual whose interest is through inheritance
- A creditor unless the person controls the entity







Applicant

- An individual
- Who files an Application with Department of State
 - to form the domestic entity
 - to register a foreign entity
- Includes person that directs or control the filing
 - Example: Paralegal and supervising attorney

Identifying Document

- Applies for Applicants and Beneficial Owner
 - Individuals
- Examples
 - Drivers License
 - Government Issued ID
 - US or Foreign Passport
- Must Inform Jurisdiction

• Must Attach Document Image



Galindez LLC

TRUSTworthy

Filing Requirements



Filing Dates

- Existing Entities
 - Created Before January 1, 2024
 - File report **by January 1, 2025**
- New Entities
 - Created After December 31, 2023
 - File report **within 30 days of Creation**

Changes

- Changes in Previously Reported Information
 - **Within 30 days**
- Includes Inaccuracies Corrections

Penalties

- Civil Penalties
 - \$500 Per Day
- Criminal Penalties
 - \$10,000 fine and/or
 - Two year imprisonment

Electronic Reporting

- FinCen has developed the Beneficial Ownership Secure System (“BOSS”)
- The filing will be done electronically using BOSS

Access to BOSS

- US Federal Agencies
 - Engaged in National Security, Intelligence and Law Enforcement
- State, local and Tribal law enforcement agencies
 - With Court Authorization
- US Department of Treasury

Access to BOSS (cont.)

- Financial Institution
 - With Customer Consent
- Federal and State Regulators
 - Compliance with due diligence obligations
- Foreign Enforcement Agencies
 - Through a US Federal Agency

Report's Content



Filing Information

- Reporting Company Information
- Beneficial Owner
- Applicant
- “Expedited Process”

Reporting Company

- Legal Name
- Form of Identification
 - EIN
 - SSN
 - Foreign ID
 - Tax Identification Number
- Jurisdiction of Creation
- Current US Address

Beneficial Ownership Information

- Legal Name
- Date of Birth
- **Residential Address**
- Identifying Document

Applicant Information

- Full Legal Name
- Date of Birth
- Current Address
 - Can be business address
- Identifying Document

FinCenID

- Individuals and Company can request a FinCenID
- Upon Request
- Must provide the same information to obtain the FinCenID

Exceptions

EXEMPT
(well, maybe)

Nature of Exceptions

- CTA provides 23 exceptions
- Entities already subject to substantial federal or state regulation

Specific Entities

- Public Companies
 - Under 1934 SEC
- Entity created by states
- Banks
- Credit Unions
 - Federal and State
- Bank Holding Company

Specific Entities (cont.)

- Money transmitting business
 - Registered under Section 5330
- Broker or Dealer of Public Securities
 - SEC 1934
- Exchange or Clearing Agency
 - SEC 1934
- Other Entities covered by SEC 1934

Specific Entities (cont.)

- Investment Companies
 - Investment Advisers Act of 1940
- Insurance Companies
 - Investment Advisers Act of 1940
- An insurance producer
 - Authorized by a State and
 - Physical office withing the United States

Specific Entities (cont.)

- Broker or trader of commodities
- Public Accounting Firm
 - **Registered with the PCAOB**
- Public Utilities that provides telecommunications, electrical power, gas or water services
- Financial Market Utility
 - Payment Clearing and Settlement Act of 2010

Specific Entities (cont.)

- Certain Pooled Investment Vehicles
- Non for Profit
 - Described in 501(c) and
 - **Exempt from tax under Section 501(a)**
- Political Organizations
 - Exempt Under Section 527 of the IRC
- Trust described in Section 4947(c) of the IRC
- Holding Companies of Exempt Entities

Specific Entities (cont.)

- **Large Operating Companies (X)**
- Any entity owned by an exempted entity
- Any entity exempted by the Secretary of the Treasury
 - Concurrence of Attorney General and Secretary of Homeland Security

Large Operating Companies

- Employs more than 20 persons **in United States**
- Filed a **Federal Income Tax Return** reporting more than \$5 million
- Physical Office in the United States

Questions

