

Casey Seaborn: Give just a minute here for everybody else to chime back in and get in here.

Morgan Holmes: Alright!

Casey Seaborn Stream is good. All right, everybody going to get started here. Welcome to another. The last series of our Stride Live Tax Series. Today I'm joined once again by the honorable, the infamous Morgan Holmes talking about corporate transparency acts and the resulting beneficial ownership reporting requirements for LLCs. There's some new litigation. There are some things that need to be done. The date is January 1st, 2025. So, I'm told. Morgan, how are you doing today?

Morgan Holmes: I'm doing. Great thanks, Casey.

Casey Seaborn: I know you're in the middle of the deadline for the 1015 deadline. You're busy. So, I do appreciate you taking a little extra time today out of your busy, busy schedule to meet and talk to us about the Corporate Transparency Act. I know very little about this. I will say that, so, Morgan the floor is yours. What is the Corporate Transparency Act?

Morgan Holmes: Sure. Sure, it's new to all of us. So, the Corporate Transparency Act was actually passed on January 1st, 2021, and for all business entities, not just LLCs, but all business entities that have registered with a Secretary of State somewhere have a filing requirement that's due on January 1st, 2025 of this coming year. So, and the purpose of the Corporate Transparency Act is just that right to you know, there's been people that have set up entities, or this web of entities to try and avoid tax.

And so now there's this requirement that people need to disclose their ownership to the FinCEN for all these entities that they've set up so that the IRS and other taxing authorities can kind of unravel and figure out, you know who is, or maybe under-reporting tax, etc. So.

Casey Seaborn: Got it. You mentioned FinCEN, as I understand. That's a Financial Crimes Enforcement Network. Correct? part of the extension of got it?

Morgan Holmes: Yep.

Casey Seaborn: When did this start? When this go in? Is it something that was new? Was this something that came out of nowhere? How did this come to be about this new Transparency Act.

Morgan Holmes: Yeah. So again, it's a result of people kind of some bad actors out there. Not you know, not paying tax. And this is a way for the government to figure out who owns what entities, and whether those entities and the owners of those entities should be paying tax. And you know, really they're, for most people are gonna have filing requirements due on January 1st, 2025. Some people may already actually have had filing requirements, and may or may not have filed those returns. So, the January

1st, 2025, deadline is for entities that were previously set up or organized before 2024. So, if you had set up an S. Corporation in 2022 more likely than not your due date would be January 1st, 2025.

If you set up a new business entity in 2024, then you probably already should have filed a BOI report within 30 days of setting up that entity. Also, there's requirements around. If you've had a change, a change in the ownership, or a change that would require a filing. You should have filed at some point during 2024.

Casey Seaborn: Got it. Now, how does a company know? Is this all companies, all organizations that have to file this, that are LLCs? What are some of the requirements in terms of Hey, I know I need to file, but who's excluded? Maybe start there with who's excluded from filing.

Morgan Holmes: Yeah, again, it's not just LLC, so it's corporations, partnerships, LLCs. S. Corps. All of that stuff, right? So, anybody that has a registration with a Bill, a Secretary of State. So, if you've set up a new entity, or had a previous entity that you registered with the Secretary state in the state you're doing business in. You would have this filing requirement there. There are some exempt entities. Out there, banks and broke, you know stock brokerage firms, public accounting firms that are regulated by you know the PCAOB or the SEC. So, there are some. There's, I think a list of 23 exempt business entities. But for the most part, no MSP is gonna fall on that list. It is going to be you need to file this BOI before January 1st, 2025.

Casey Seaborn: Got it. Is there a revenue, exception, or limitation, hey? Maybe some of the store's level of revenue? Okay.

Morgan Holmes: Nope, so it's just I mean, it's just a you know, one or 2-page filing that discloses the ownership of the entity. You'll have to provide a copy of a driver's license or a passport photo along with the filing. But yeah, it's fairly simple filing but still needs to get done. The Corporate Transparency Act had a penalty associated with not filing the BOI. The penalty was \$500 a day. It's subsequently been increased to \$591 per day with a maximum of \$10,000. For not filing this form. So.

Casey Seaborn: Got it. So, if you don't file this form, you could be seeing pretty a pretty hefty hit to your cash flow, which we talk about all the time. Tax management and really good accounting is all destined around sharing your cash flow is protected, and then also giving you a foundation you can scale on confidently. What are some of the aspects of this like, for instance, what is the beneficial ownership or owner definition?

Morgan Holmes: Yeah, so it's typically someone who owns or controls 25% or more of the company's equity or someone who exercises significant influence.

Casey Seaborn: Got it, and then any specific filing requirements, and we know you mentioned the names. Maybe a driver's license proof of residence. Is there anything else articles of incorporation, anything that the what is the IRS or government?

Morgan Holmes: No, no, so it's really just the names of the owners, the dates of their birth, you know, nationality or citizenship, their address, their residential address or home address. And, then the percentage of the business entity that they own or control. So, and then again, you'll have to provide or upload a copy of your Driver's License, or a passport.

Casey Seaborn: Let's say there's entities, a lot of MSPs, a lot of professional services, firms. Sometimes they have a joint venture or a new firm that starts beginning here. So, for those companies that may be thinking of incorporating a new organization this last quarter going into the 1st quarter of next year. What deadlines and changes do they face? Is there within a certain period of incorporating? What does that look like?

Morgan Holmes: Yeah. So, if you're gonna incorporate a business entity right now once you incorporate it, you have 30 days to file the BOI.

Casey Seaborn: Got it, got it. Yeah. And, then we had mentioned, there's penalties. Is there any ongoing? Is this, I have to file this every single year, or is it more when changes are made to the ownership structure that I have to refile.

Morgan Holmes: Yeah, so typically, it's just when you have a change in the ownership or change in your address. So, if the business owner moves, you would have to file a new BOI or an updated BOI to provide the information that has changed.

Casey Seaborn: Got it, got it so, for existing entities, if you hadn't already filled this out, you do have to do it by the first. If your entities are starting within 2024, you have 90 days to get it done from the incorporation, and then anybody moving forward at 2025 you have 30 days to move forward. Do I understand that correct?

Morgan Holmes: Yep, yep. And then, you know, recently. You know, we've had some conversations with some owners or business entities that are actually winding up business and probably will be wound up before the end of the year. Still have to file that back the BOI filing. So even though you're gonna dissolve your business or wind the business up, you still need to file that BOI before you go out of business. So, make sure you get that done if you're winding a business up.

Casey Seaborn: Got it. Yeah, real brief one. Today, folks, I mean, it's pretty self-explanatory Corporate Transparency acting to disclose the level of ownership and reporting requirements from your business organization. Anybody that is incorporated, sole proprietors are they included on this?

Morgan Holmes: No.

Casey Seaborn: Partnerships included?

Morgan Holmes: Yes.

Casey Seaborn: Got it. So, anybody, essentially with the true EIN is, it sounds like it's gonna have to file this for you. You know in simple terms, don't want to hit the penalties you can have up to a max of \$10,000, fines and penalties from the IRS if you don't, follow through with this compliance. If you're gonna start an organization, make sure you talk with your tax accountant and your CPA. Whoever's performing that to make sure this is filed. If you have not done it yet. You do have until the 1st of January to get that in. Morgan, you've been a great help on these tax series. It's been awesome. Is there any parting advice, any key, things that we want to talk about, or closing snapshots as we look at moving to more organizational accounting kind of taking that change from tax in the stride live so any other last parting words or words of advice?

Morgan Holmes: No, not right now, but on the BOI to make sure that if you aren't sure that you're a beneficial owner of an entity you need to reach out to legal counsel. They need to help you make that determination. You know, Stride can help you file the BOI filing. But we can't help you determine whether you're a beneficial owner, or whether you meet one of those exemptions. Right? So, for the most part, for most MSP, businesses out there. It's gonna be pretty pretty simple. But there are gonna be some entities out there where they have some unusual structure, unusual ownership, or something like that, you know. It may be questionable whether they should be filing it or not, and in those cases you definitely want to reach out to legal counsel.

Casey Seaborn: Got it, got it so very quickly. Make sure you understand the definition. Check with both your accounting and your legal team resource. Determine if you need to file this, or if you're included on this, and then make sure you meet the deadlines.

Morgan. Anything else around Corporate Transparency Act? Too long, didn't watch?

Morgan Holmes: No, not right now. Just make sure you get it done before the first.

Casey Seaborn: Get it done, people get it done. Well, Morgan, once again, I want to thank you. Thank you for taking the time to do this and be a part of this Stride Live series. I'll let you get back to doing the tax returns and getting to that October 15th deadline.

Morgan Holmes: Alright, thanks, all. Thanks, Casey.

Casey Seaborn: Thank you. Have a good one.

Morgan Holmes: You too, bye.