

WHAT'S INSIDE

Corporate Transparency Act- Is Your Business Compliant?

The U.S. will soon mandate reporting requirements for certain businesses. Failure to comply can lead to serious civil/criminal liabilities.

Administrator Receives MBA; Academic Achievement Award

Daniel McElroy, the Firm's Administrator, graduated NSU with MBA and 4.0 GPA.

Consider These Often Overlooked Auto Coverages

Can you be compensated by insurance in the event you are struck by an uninsured or underinsured motorist?

Firm Announces New Shareholders

Litigation-team members, Ted Nelson and Spencer Pittman, named Shareholders.

AI Tools: Protecting Misuse in Your Business

AI tools raise unique benefits and issues for employers. AI workplace-use policies may help to protect your business.

DID YOU KNOW?

Senior Partner Michael King is an American College of Trial Lawyers inductee. Admission is invite-only and reserved for lawyers who are regarded as a top 1% lawyer in their state.

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Corporate Transparency Act- Is Your Business Compliant?

By: Attorney James Rayment

Congress expressed a growing concern that bad actors are using shell or front companies to hide their identities to illicitly move money within our financial system. To combat this concern, Congress enacted the Corporate Transparency Act (CTA), which authorized the Financial Crimes Enforcement Network (FinCEN) to implement rules mandating certain reporting requirements for businesses. Starting on Jan. 1, 2024, existing companies will have 1 year to report certain information, such as its beneficial owners and its applicants, to FinCEN.

Who is required to report to FinCEN? Companies required to report include any corporation, limited liability company, or similar entity created by filing a document with a state's secretary of state. The regulation applies to pre-existing companies and companies created after the effective date.

What information must be reported to FinCEN? The company's report must contain the company's name, current address, jurisdiction it was created, and Employment ID Number (EIN). The regulation also requires the reporting of beneficial owners of the company, which includes any individual who either exercises substantial control or owns or controls at least 25% of the company. The company must also report its applicants (the individuals that file or prepare the document creating the company). Reporting of the beneficial owners and applicants requires disclosure of the individual's name, date of birth, address, a unique ID number and issuing jurisdiction (*i.e.* driver's license or passport), and an image of the document containing the ID number.

Are non-profits exempted? There are limited exemptions carved out for the reporting requirements. Nonprofit organizations that are tax-exempt under IRS Code § 501(c) are exempt from the CTA.

Are there penalties associated with noncompliance? Failing to comply with the CTA's reporting requirements can lead to serious ramifications, including a civil penalty of \$500 per day (up to \$10,000) and a criminal penalty of imprisonment for up to two years.

Do I report once or on a periodic basis? Reports must be updated if there is a change to the company or its beneficial owners. If previously reported information changes (e.g., by sale, transfer via an owner's death, or new address), the new information would need to be timely reported to FinCEN.

Again, the civil and criminal penalties for failing to report are serious, and all companies should ensure the reports to FinCEN are both timely and accurate. If you own or operate a business, it is advisable to consult with a licensed attorney to ensure compliance with the reporting requirements or determine if you qualify for one of the few narrow exemptions not discussed in this article. The corporate transaction attorneys at Winters & King can help you and your business meet the CTA compliance standards by the effective date and are prepared to assist you in navigating this new complex regulatory scheme and help keep you and your business compliant. If you want assistance with your business's CTA reporting requirements or have other questions about this new regulation, contact Attorney James Rayment at jrayment@wintersking.com.

Administrator Receives MBA; Academic Achievement Award



Daniel McElroy, the Firm's Administrator, earned an MBA from Northeastern State University in May 2023 with a 4.0 GPA and received an Academic Achievement Award, awarded to one outstanding student in each academic major. Mr. McElroy joined the Firm in 2013 and provides a multitude of services, including general administration and accounting.

Firm Announces New Shareholders

Winters & King is proud to announce that attorneys Ted J. Nelson and Spencer C. Pittman have been named as Shareholders of the Firm. Mr. Nelson and Mr. Pittman both serve on the litigation team at Winters & King. They also practice in the areas of business law and transactions in addition to providing legal counsel to nonprofits organizations, ministries, and churches.



Ted Nelson



Spencer Pittman

AI Tools: Protecting Misuse in Your Business

By: Attorney Alyssa LaCourse

With the recent launch of multiple generative AI tools and the relative ease of accessibility to AI, workplaces can increase productivity, quickly solve problems, and reduce human error. However, the use of generative AI comes with potential unforeseen liabilities or challenges for businesses.

AI tools may damage businesses due to uninformed employees relying on false or inaccurate information or publishing proprietary information or trade secrets to the public, even accidentally. For example, if a business develops state-of-the-art software and an employee uses a large language model (LLM) AI tool to draft the business's press release or debug computer coding, the input of the confidential data or code into the AI may arguably waive the business's "trade secret" protections otherwise available under the law. In addition, AI systems are not 100% reliable and are often unable to fact-check, meaning reduction in human error and increasing productivity still require a human-element.

Businesses can minimize AI-related issues by adopting a strong AI workplace policy, which describes who can use AI in the workplace and what information can be inputted into AI prompts. The written policy should also, at minimum, require an employee using AI to proofread, factually verify, and ensure sensitive materials are not contained in business materials to be disseminated. The policy can also ensure ethical and responsible AI practices, which enhances the public's trust in your business. If you are concerned about your employees' use of AI in your business's workplace or if your business needs a strong AI workplace-use policy, contact Alyssa LaCourse at alacourse@wintersking.com or Spencer Pittman at spencer@wintersking.com.



Consider These Often Overlooked Automobile Insurance Coverages

Nearly 13% of drivers in America do not carry liability insurance coverage. Can you be protected if you are hit by another motorist who is carrying no liability insurance or insufficient coverage to compensate you for your injuries?

Depending on your state, there are often overlooked (and relatively inexpensive) insurance coverage options/add-ons that may protect you or your family from financial disaster in the event of an automobile collision in this circumstance:

- 1) **Uninsured/underinsured motorist coverage (UM / UIM)** provides personal coverage for injuries or property damage if the at-fault driver is not carrying liability insurance or does not have enough liability coverage to compensate a loss.
- 2) **Medical Payment Coverage (MedPay)** pays for medical expenses, bills, deductibles, and other related costs *regardless* of who caused the accident.
- 3) **Personal Injury Protection (PIP)**, if available in your state, is similar to MedPay but *also* covers lost wages and funeral costs. PIP also pays regardless of fault.

If you were injured in a motor vehicle collision or have questions about your automobile insurance policy coverages, contact Attorney Karen King at kking@wintersking.com.

