

MASTERING ENTITY DATA COMPLIANCE: ANNUAL REPORT REQUIREMENTS



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In our previous articles, we’ve explored the first two steps in the entity compliance workflow: [entity formation](#) and [regulatory business license compliance](#).

In this article, we’ll take a closer look at the third step—meeting annual report requirements.

When an entity is formed or incorporated within a jurisdiction, it’s generally necessary to file [annual compliance reports](#) and submit them to the Secretary of State’s office. Failure to do so can lead to significant penalties and a lack of good standing in the jurisdiction.

Having the proper processes to handle these obligations can help ensure that no annual report requirement or deadline is overlooked.

THE IMPORTANCE OF FILING ANNUAL REPORTS

Failure to submit timely annual reports can lead to serious consequences. In most cases, late fees are charged by the state when reports are filed past the specified due date. Organizations that fail to file (or pay assessed fees) may lose their good standing designation, which can compromise an entity’s ability to operate effectively.

In the most serious cases, sustained non-compliance may result in the [administrative dissolution](#) of domestic companies. Additionally, non-compliance may also result in the administrative revocation of the ability to operate as a foreign company. Non-compliance penalties can strip an organization of many of the usual benefits of operating as a limited liability company (LLC) or a corporation.

Penalties and sanctions aren’t the only consideration. Not filing annual reports can impact an organization’s ability to secure financing, as the “good standing” status is often a prerequisite for receiving capital from lenders. Many lenders will ask that good standing certificates be produced during the borrowing process.

Companies outside of good standing may also find their ability to land new contracts affected. Much as with lenders, many companies and agencies require proof of good standing when bidding out contracts.

It’s also important to remember that annual report requirements do not automatically cease when an organization stops doing business within a state’s borders. Until an organization completes a full and legal withdrawal from that jurisdiction, annual reporting requirements typically stay in place.

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KEY CONSIDERATIONS WHEN FILING ANNUAL REPORTS

Business leaders should be aware that states vary considerably in terms of reporting requirements. For example, some states have a fixed date that serves as the annual report filing deadline every year, while other states peg the filing deadline to the day the organization was formed or incorporated.

States also differ in terms of paperwork. Some provide organizations with pre-printed forms that include the most current company information on file. Other states simply issue blank forms, placing the onus on organizations to provide all relevant information.

Filing procedures also vary between states. Some states allow organizations to sign and deliver annual reports in person or transmit them electronically, while other states only allow electronic filing.

Finally, there are differences in fee structures. Some states have flat fees; others have fees that are variable. Variable fees are typically determined by the size of a company, the number of LLC or corporation partners/members and the number of authorized shares. Some states also reduce or waive filing fees for non-profit entities.

HOW TO CREATE AN EFFECTIVE ANNUAL REPORT FILING PROCESS

Maintaining full compliance in terms of annual reports is especially challenging when organizations must deal with multiple entities across the U.S. But, there are some steps businesses can take to help ensure compliance.

Creating a calendar that includes each specific filing deadline for every relevant jurisdiction helps to make sure that annual report filing due dates aren't missed. Organizations should

also take pains to maintain and have access to up-to-date entity data so that the correct information is included on each annual report. This may include officer and director information, business purposes, registered addresses and any state-specific information, including financial data.

Organizations should have a way to identify the precise amount owed and a mechanism for payment.



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Finally, there should be central oversight in the preparation of annual reports, the mailing or electronic submission of those reports and the tracking of report acceptance by relevant state authorities.

With all of these processes firmly in place, organizational leaders can rest easy that they've taken the necessary steps to minimize the risk of falling out of compliance.

WORKING WITH A TRUSTED PARTNER

It makes sense to establish the right process to manage annual report requirements. With a managed solution, organizations can remain highly confident that requirements are being met and that the supporting data is both accurate and up to date.

TO LEARN MORE

To learn more about how CT can help you navigate your annual report needs, contact a CT Service Representative or call (844) 400-9804.

View the [Mastering Entity Data Compliance \(Infographic\)](#).