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FinCEN EXEMPTS U.S. Companies and U.S. Persons from CTA Reporting Requirements

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The Corporate Transparency Act (together with its implementing regulations, the CTA) is a federal law that went into effect on January 1, 2024. The CTA is aimed at combating financial crimes such as money laundering, financing of terrorist activities, and tax evasion. Under the CTA, millions of corporations, limited liability companies, and similar entities were required to disclose their “beneficial owners” to the Government (i.e., those that owned or controlled at least 25% of the business or had the ability to exercise “substantial control” over the company). Many companies, investors, lenders and advisors have been wrestling with the requirements and implications of the CTA and the uncertainty that has been created since its enactment due to numerous court challenges, injunctions and a change in legislative and executive priorities as a new administration has taken power in the United States.

In the latest twist relating to CTA enforcement, on March 21, 2025, the U.S. Department of the Treasury's Financial Crimes Enforcement Network (FinCEN) announced the issuance of an interim final rule that **exempts** all entities created in the United States from reporting beneficial ownership information to FinCEN under the CTA.¹ As we highlighted in our prior client alert, the interim final rule follows an earlier press release from the Treasury Department stating it would not enforce any penalties or fines associated with reporting obligations under the CTA against domestic reporting companies or U.S. persons.²

Key Takeaways:

- All entities formed in the United States, including those that fell within the definition of “domestic reporting companies” under the CTA, and their beneficial owners (regardless of nationality) are now exempt from the CTA's requirement to report beneficial ownership information (BOI) to FinCEN.
- Foreign companies that meet a newly developed definition of a “foreign reporting company” and do not otherwise qualify for an exemption under the statute must report BOI to FinCEN within 30 days of the publication of the interim final rule in the Federal Register. However, such entities will not be required to report information for beneficial owners who are U.S. persons.

Although the CTA remains in force, the interim final rule exempts all U.S.

domestic reporting companies (both those that have already filed reports under the CTA and those that have not yet filed) and U.S. beneficial owners from the statute's reporting requirements. Foreign companies that fall within the new definitions created under the CTA should continue to monitor for additional developments and any proposed changes, but they will need be prepared to comply with the law's new requirements.

Analysis and Observations

Although the CTA remains, as a practical matter the interim final rule largely exempts the vast majority of all entities subject to the statute's reporting requirements.

The CTA has faced numerous challenges in court, including two federal district court rulings resulting in the issuance by courts of national injunctions prohibiting the enforcement of the law. While those injunctions have both been overturned, appeals are pending in multiple Federal Circuits with respect to the constitutionality of the CTA. Those cases will likely continue as the interim final rule may not moot the underlying constitutional issues.

Moreover, in promulgating an exemption for all entities created in the United States, the interim final rule may conflict with the plain text of the CTA statute itself which imposes reporting requirements on all entities "created by the filing of a document with a secretary of state or a similar office under the law of a State or Indian tribe."³ Court challenges to the interim final rule itself are possible although it is unclear what parties would have both standing and a desire to pursue such recommencement of CTA enforcement against domestic entities. The litigation, interim final rule, and multiple releases from FinCEN since December 2024 (extending deadlines multiple times, suspending enforcement at time, and addressing issues relating to the mandated reporting of BOI) have created a roller coaster of uncertainty for companies and advisors trying to meet their CTA reporting obligations.

In addition, notwithstanding the interim final rule, there could be further legislative activity on the horizon as well. Congress has also introduced legislation that may impact the future of the CTA. On February 10, 2025, the House of Representatives unanimously passed H.R. 736, which would extend the deadline for reporting companies to file their initial BOI reports until January 1, 2026. A companion Senate bill is being considered in the Senate. Separate legislation, introduced together as H.R. 125 and S. 100, would repeal the CTA in its entirety. The significant narrowing of the CTA by the interim final rule may also incentivize state legislatures to push forward on state-level CTA statutes, such as the New York LLC Transparency Act set to take effect in January 2026, as BOI on domestic reporting companies and beneficial owners who are U.S. persons will no longer be available at the federal level.

Finally, the interim final rule also leaves open important questions including how FinCEN will handle the millions of BOI reports that have already been filed. Although the interim final rule has immediate effect, FinCEN will

accept public comments for the next sixty days.

Next Steps

Subject to further developments, the pending rule adopted by FinCEN eliminates BOI reporting requirements for most entities that previously qualified as reporting companies. In light of these recent developments with respect to the CTA, domestic companies (both those that have already filed reports under the CTA and those that have not yet filed) are not required to spend any further time and expense to comply with the CTA.⁴ Foreign companies that fall within the new definitions created under the CTA should continue to monitor for additional developments and any proposed changes, but will need be prepared to comply with the law's new requirements.

¹ FinCEN Removes Beneficial Ownership Reporting Requirements for U.S. Companies and U.S. Persons, Sets New Deadlines for Foreign Companies, <https://fincen.gov/news/news-releases/fincen-removes-beneficial-ownership-reporting-requirements-us-companies-and-us>.

² Press Release, Treasury Department Announces Suspension of Enforcement of Corporate Transparency Act Against U.S. Citizens and Domestic Reporting Companies, <https://home.treasury.gov/news/press-releases/sb0038>.

³ 31 U.S.C. § 5336(a)(11).

⁴ In light of these recent developments with respect to the CTA, domestic companies (both those that have already filed reports under the CTA and those that have not yet filed) need not file BOI reports or update existing reports absent further changes to the regulations or contractual provisions that otherwise explicitly require the submission of BOI reports.

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