

FinCEN Clarifies that Dissolved Entities are Subject to CTA Reporting Obligations

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On July 8, 2024, the U.S. Treasury Department's Financial Crimes Enforcement Network ("FinCEN") released additional FAQs^[1] with respect to the beneficial ownership reporting requirements of dissolved entities. The Corporate Transparency Act requires reporting companies to report to FinCEN information about their beneficial owners and company applicants (a "BOI Report") and is intended to help prevent and combat money laundering, terrorist financing, tax fraud and other illicit activity. The Beneficial Ownership Reporting Rule (the "BOI Rule"), promulgated by FinCEN in September 2022, establishes the types of entities that are reporting companies and how beneficial owners and company applicants are determined, as well as what information is required to be reported about these entities and individuals.

Any U.S. entity created by filing with a Secretary of State or any similar office or tribal jurisdiction, or an entity formed under the laws of a foreign country and registered to do business in any State or tribal jurisdiction, in existence on or after January 1, 2024 is subject to the BOI Rule. The new FAQs clarify that the dissolution of a reporting company prior to the date its initial BOI Report is due does not absolve the entity of its obligations under the BOI Rule. An entity is not required to file a BOI Report if it was formally and irrevocably dissolved prior to January 1, 2024 or there is an applicable exemption. A reporting company in existence on January 1, 2024 must file a BOI Report even if it is formally dissolved prior to the filing deadline of January 1, 2025. Similarly, a reporting company formed or registered on or after January 1, 2024 but dissolved prior to the date its initial BOI Report is due must file a BOI Report within the applicable timeframe (90 days from creation or registration for reporting companies formed or registered during 2024, and 30 days from creation or registration for reporting companies formed or registered on or after January 1, 2025). If a reporting company ceases to exist after it has filed its BOI Report, it is not required to file an amended report reflecting the dissolution.

[1] The FAQs released by FinCEN and updated periodically are available at <https://www.fincen.gov/boi-faqs>.

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