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New Interim Rule Removes CTA Reporting Requirements for U.S. Companies and U.S. Persons

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On March 21, 2025, the U.S. Department of the Treasury's Financial Crimes Enforcement Network ("FinCEN") issued an interim final rule to the U.S. Corporate Transparency Act ("CTA") that eliminates beneficial ownership information ("BOI") reporting requirements for domestic entities and U.S. persons. The immediate result of the interim final rule is that no U.S. entities are required to register or update any BOI reports, and no beneficial owners who are U.S. persons are required to provide BOI.

The prior rule applied to:

- "domestic reporting companies": entities created by a filing with a Secretary of State or any similar office, and
- "foreign reporting companies": entities formed under the law of a foreign country and registered to do business in any U.S. state or tribal jurisdiction by the filing of a document with a Secretary of State or similar office.

These companies were required to file a report with FinCEN identifying their beneficial owners—the persons who ultimately own or control the company—and provide similar identifying information about the persons who formed the entity, absent an applicable exemption.

FinCEN stated that the interim final rule is intended to minimize regulatory burdens on small businesses, a priority for the new federal administration. In the preamble to the interim final rule, FinCEN stated that most domestic reporting companies not covered by an exemption under the prior rule were small businesses and determined that exempting these domestic reporting companies would not negatively impact national security, intelligence, or law enforcement efforts. FinCEN concluded that much of the BOI that would otherwise have been reported under the prior rule is provided to financial institutions at the time an entity opens a bank account or is otherwise available to law enforcement.

Modifications Under the Interim Final Rule:

- The interim final rule modifies the definition of "reporting company" to only include foreign reporting companies.
- All domestic reporting companies and their beneficial owners are exempt from the CTA and are not required to file or update any BOI reports.
- Non-exempt foreign reporting companies are still required to file BOI reports with FinCEN, but such reports are not required to include the BOI of any beneficial owner that is a "U.S. person".
- Foreign reporting companies that only have beneficial owners that are "U.S. persons" are not required to report beneficial owners.
- The special rule for **foreign pooled investment vehicles** only requires disclosure of the individual exercising substantial control if that individual is **not** a U.S. person. If more than one individual exercises substantial control over a foreign pooled investment vehicle and at least one of those individuals is not a U.S. person, the entity is required to report BOI with respect to the non-U.S. person who has the greatest authority over the strategic management of the entity.

Both the prior rule and the interim final rule incorporate the definition of "United States person" from the Internal Revenue Code, which includes U.S. citizens as well as permanent residents and persons who meet the substantial presence test under the Internal Revenue Code. As a result, the exemptions for U.S. persons apparently also apply to those foreign nationals who fall under the Internal Revenue Code's definition of United States person. FinCEN appears to use the terms "U.S. person" and "United States person" interchangeably.

Certain U.S. Persons Are Still Required to Report BOI

U.S. persons who are company applicants (i.e., those persons who directly file, and who are primarily responsible for filing, or directing or controlling the filing of, the foreign reporting company's registration documents with a Secretary of State or similar office) remain obligated to provide their BOI to non-exempt foreign reporting companies.

Compliance Deadlines

The interim final rule is effective as of March 26, 2025. Existing foreign reporting companies are required to file their BOI reports by April 25, 2025. Foreign companies newly registered to do business in a U.S. state or tribal jurisdiction will have thirty days from the date they receive notice that the registration is effective to file a BOI report.

The interim final rule will be open to comments until May 27, 2025; however, the interim final rule will be in effect during the comment period. FinCEN indicated that it had good cause to implement the interim final rule immediately, given that domestic entities were facing a filing deadline of March 21, 2025 and there was not enough time to solicit public comment and implement a final rule before that deadline. FinCEN intends to issue a final rule before the end of the year.

The CTA remains subject to a number of legal challenges despite the issuance of the interim final rule.

We continue to closely monitor further developments with respect to the CTA.

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