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Oh BOI! Big Changes to Reporting Requirements under the Corporate Transparency Act

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The Corporate Transparency Act (CTA) was passed into law in January 2021 but didn't take effect until January 2024. Under its original provisions, the law required individuals who qualified as beneficial owners to report their Beneficial Ownership Information (BOI) to the Financial Crimes Enforcement Network (FinCEN), with failure to comply potentially resulting in hefty fines or even imprisonment. Despite its bipartisan backing, the public remained largely unaware of the law until late 2023, when reporting deadlines were approaching. This led to numerous lawsuits challenging the CTA, resulting in a series of legal rulings that created uncertainty, with reporting requirements fluctuating between being enforced and suspended.

As of March 21, 2025, we now have clarity on how the CTA impacts businesses and who is required to report. FinCEN has issued an interim final rule specifying that only foreign entities—those formed under a foreign country's laws and registered to do business in the U.S.—are subject to the CTA's reporting requirements. These foreign entities are not required to report any U.S. individuals who may be beneficial owners of the company. Additionally, U.S. persons are exempt from providing their BOI to any foreign company that falls under the updated CTA reporting rules.

According to the new rule, foreign entities have 30 days from the adoption date (March 21, 2025) to comply, while newly registered foreign entities must submit their initial BOI to FinCEN within 30 days of registering in the U.S. It is estimated that this updated rule will exempt 99.8% of U.S. small businesses from having to comply with the CTA. If you own or operate a foreign entity, it's important to consult with qualified legal counsel to fully understand your obligations under the revised CTA.

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