

Client Alert

Government Matters & Regulation

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No Fines, Penalties, or Enforcement with BOI Reporting Deadline; Forthcoming Rule Will Narrow the Scope of CTA Requirements to Foreign Reporting Companies

On March 2, 2025, the U.S. Department of the Treasury (Treasury) announced that it would not enforce penalties or fines against U.S. citizens or domestic reporting companies, or their beneficial owners. Further, Treasury announced that it intends to issue a proposed rule to significantly narrow the Corporate Transparency Act (CTA) beneficial ownership information (BOI) requirements to apply to foreign reporting companies only, and not domestic reporting companies.

This announcement follows just days after Treasury's Financial Crimes Enforcement Network (FinCEN) announced on February 27 that it would not be issuing any fines or penalties against companies failing to file or update their BOI reports pursuant to the CTA by March 21, 2025. Our most recent client alert announced this new deadline, which followed the U.S. District Court for the Eastern District of Texas staying an order preventing the implementation and enforcement of the CTA pending an appeal before the U.S. Court of Appeals for the Fifth Circuit.

BACKGROUND

As highlighted in our previous client alerts on the CTA's status, here, here, here, and here, after the CTA went into effect on January 1, 2024, FinCEN established by regulation a January 1, 2025, BOI reporting deadline for non-exempt companies created or registered to conduct business in the United States before January 1, 2024. Immediately prior to FinCEN's most recent announcements referenced above, compliance with the CTA had been reinstated pending an appeal of a constitutional challenge before the Fifth Circuit.

FINCEN'S ANNOUNCEMENT

FinCEN's February 27 announcement states that no fines or penalties will be issued, and no enforcement actions will be taken, until a forthcoming interim final rule becomes effective. FinCEN intends to issue an interim final rule no later than March 21, 2025—the previous reporting deadline. The interim final rule would again extend the deadline and provide additional guidance. FinCEN also intends to solicit public comment on potential revisions to the existing BOI reporting requirements as part of a notice of proposed rulemaking to be issued later this year. FinCEN emphasized the administration's commitment to reducing regulatory burden on businesses while requiring BOI reporting to the extent needed to address law enforcement and national security risks.

TREASURY'S ANNOUNCEMENT

Treasury announced it will not “enforce any penalties or fines against U.S. citizens or domestic reporting companies or their beneficial owners after the forthcoming rule changes take effect,” and thus will impose BOI reporting requirements only on foreign reporting companies. The announcement similarly emphasized the administration's commitment to reducing regulatory burden on American small businesses.

This means that, absent an exemption, a foreign reporting company—*i.e.*, a corporation, LLC, or other entity formed under the law of a foreign country that is registered to do business in any U.S. state or tribal jurisdiction by the filing of a document with a secretary of state or any similar office—will be subject to the CTA's requirements, including the extended reporting deadline(s) that will be established by FinCEN.

Ultimately, Treasury's announcement means that domestic reporting companies, which represent almost all reporting companies under the CTA, and their beneficial owners (including non-U.S. beneficial owners) are not expected to comply with the CTA's requirements. It remains to be seen whether Treasury's new rule could spur further litigation on the grounds that it does not reflect a permissible interpretation of the statute.

CONCLUSION

While companies still have the option to voluntarily file BOI reports, it is recommended that they hold off to assess the regulatory requirements expected to be imposed in future rules. As FinCEN, Congress, and the courts continue to weigh in on the implementation of the CTA's BOI reporting requirements, King & Spalding is well positioned to assist clients subject to the CTA to comply with its requirements.

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