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Featured News

ALERT

UNCERTAINTY SURROUNDING THE CORPORATE TRANSPARENCY ACT AND BOI REPORTING REQUIREMENTS

Ongoing legal challenges and regulatory decisions have continued to muddy the waters and create ambiguities regarding the future of the Corporate Transparency Act (the “CTA”) and its enforcement of the related Beneficial Ownership Information (“BOI”) reporting requirements. To assist our clients in navigating the latest developments, Brothers Smith LLP is providing the following update:

CTA OVERVIEW AND REPORTING REQUIREMENTS

The CTA is a federal law that requires the vast majority of business entities to report to the Department of Treasury – Financial Crimes Enforcement Network (“FinCEN”) information concerning a company’s “beneficial owners”. A beneficial owner is defined as an entity or individual who owns or controls at least twenty-five percent (25%) of the company or exercises substantial control over it. BOI Reports were previously required to be filed with FinCEN by January 1, 2025.



COMPLIANCE DEADLINES AND RECENT LEGAL DEVELOPMENTS

The CTA has been the subject of multiple lawsuits, injunctions and subsequent appeals. As of February 18, 2025, a nationwide injunction that had been preventing FinCEN from enforcing the CTA was lifted. The following day FinCEN announced that it would extend the deadline for compliance, for most business entities, to March 21, 2025. However, in its February 19th publication FinCEN stated that it would “assess its options to further modify deadlines, while prioritizing reporting for those entities that pose the most significant national security risks.” The publication went on to state that FinCEN would provide an update *prior* to March 21st regarding modification of such deadlines.

FinCEN has since announced that it will not issue any fines or penalties or take any other enforcement actions against companies that fail to file or update BOI reports pursuant to the CTA by March 21st deadline. Additionally, on March 2, 2025, the Department of Treasury announced that it will not impose any penalties or fines against U.S. citizens, domestic reporting companies or their

beneficial owners – even after the forthcoming rule changes take effect. FinCEN has remained silent following the Department of Treasury’s announcement and has not provided further updates regarding modifications to the compliance deadline.

The lack of clear and consistent guidance has created significant uncertainty for businesses regarding whether to file BOI Reports by the March 21st deadline. While the Department of Treasury’s announcement suggested that domestic reporting companies may not need to comply FinCEN has not confirmed this to be the case and has not issued further guidance. In response to the Department of Treasury’s March 2nd announcement, lawmakers have raised questions about the agency’s authority to selectively enforce the CTA or decline to enforce a law enacted by Congress all together. Given these developments business owners may find it challenging to determine their compliance obligations.

RECOMMENDATIONS FOR BUSINESS ENTITIES

As of now, failure to comply with the CTA by filing a BOI report will not result in fines or penalties. However, businesses are advised to closely monitor this fluid situation regularly for updates and further guidance from FinCEN. Companies wishing to avoid any potential repercussions of non-compliance with the CTA, may proactively file a voluntary report with FinCEN using its BOI E-Filing System – which can be accessed at <https://boiefiling.fincen.gov/>.

Brothers Smith LLP remains available to address any questions or concerns that you may have regarding compliance with the CTA and BOI reporting. Please do not hesitate to contact our office if you would like to discuss this matter further.



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