

Memorandum

Trump Administration Scales Back Beneficial Ownership Reporting Requirements Under the Corporate Transparency Act

March 31, 2025

On March 21, 2025, the U.S. Department of the Treasury's Financial Crimes Enforcement Network (FinCEN) issued an [Interim Final Rule](#) (IFR) effectively eliminating the beneficial ownership reporting requirements under the Corporate Transparency Act (the "CTA") for entities formed in the United States. Under the IFR, only non-exempt entities formed outside the United States but registered to do business in a U.S. state or tribal jurisdiction are obligated to file beneficial ownership information reports (BOI Reports), and such reports need not include any "beneficial owners" who are U.S. persons. This reflects a dramatic narrowing of the CTA, bipartisan legislation that had passed over President Trump's veto during his first term. This narrowing may not be permanent, and further rulemaking now or in future administrations could re-impose the more expansive requirements of the prior rule.

Background

FinCEN's publication of the IFR marks the latest development in a tumultuous several months for the CTA, during which the CTA's reporting requirements have repeatedly snapped in and out of effect as various legal challenges have wound their way through federal courts and the Trump Administration reconsidered the prior approach to the CTA's implementing regulations. Under the Trump Administration, the Treasury Department had [suspended enforcement](#) of the CTA and signaled its intent to limit the scope of the implementing regulations "in the interest of supporting hard-working American taxpayers and small businesses and ensuring that the rule is appropriately tailored to advance the public interest." The IFR further implements these efforts to limit the impact of the CTA.

The IFR was published in the [Federal Register](#) on March 26, 2025. The public may provide written comments on the proposed updates contained in the IFR on or before May 27, 2025.

Elimination of U.S. Entity and Certain U.S. Person Obligations

The IFR revises the definition of reporting companies¹ to exclude entities formed in the U.S. and creates a separate exemption for such entities, effectively eliminating the reporting requirements for any domestic entities. The changes to the CTA described in the IFR became effective upon publication of the IFR in the Federal Register on March 26, 2025.

With these changes, only foreign reporting companies, defined as “[a]ny corporation, limited liability company, or other entity that is formed under the laws of a foreign country and registered to do business in any U.S. State or Tribal jurisdiction through a formal filing with a secretary of state or equivalent office,” are subject to the CTA’s reporting requirements.

The IFR also provides that BOI Reports for foreign reporting companies do not need to identify any “beneficial owners”² that are U.S. persons, and U.S. persons are not required to provide their information for purposes of being included as beneficial owners. Unlike beneficial owners, U.S. person “company applicants”³ are not exempted under the IFR and must still be included for any foreign reporting companies registered in a U.S. state or tribal jurisdiction on or after March 26, 2025.

While FinCEN may provide further guidance on this point, it appears that foreign reporting companies that do not have any non-U.S. beneficial owners are still required to submit BOI Reports. Such BOI Reports would need to include the required information about the reporting company itself (as well as, for foreign reporting companies registered on or after January 1, 2024, company applicants).

Updated Reporting Exception for Foreign PIVs

The IFR also updates requirements related to foreign pooled investment vehicles (PIVs). Prior to the publication of the IFR, foreign PIVs qualified for a reporting exception pursuant to which their BOI Reports were only required to identify one beneficial owner, namely the individual with the ability to exercise the greatest substantial control over the foreign PIV. The IFR updates this reporting exception, [providing](#) that the sole beneficial owner identified in BOI Reports for foreign pooled investment vehicles should be a non-U.S. person who exercises substantial control over the entity. If more than one non-U.S. person exercises substantial control of a foreign PIV,

¹ Under the CTA, the definition for “reporting companies” originally included “domestic reporting companies,” defined as “any entity that is: [a] corporation, [a] limited liability company, or [c]reated by the filing of a document with a secretary of state or any similar office under the law of a State or Indian tribe,” and “foreign reporting companies,” defined as “any entity that is: [a] corporation, limited liability company, or other entity; [f]ormed under the law of a foreign country; and [r]egistered to do business in any State or tribal jurisdiction by the filing of a document with a secretary of state or any similar office under the law of a State or Indian tribe.”

² As described in our November 7, 2024 [alert](#), under the CTA, a “beneficial owner” is a natural person who is a 25% or greater owner, certain senior officer, or who otherwise exercises “substantial control” over the reporting company.

³ As described in our November 7, 2024 [alert](#), under the CTA, a “company applicant” is the individual (or individuals) who directly filed or was primarily responsible for the filing of the document that created or registered the company.

the IFR provides that whoever has the greatest authority over the strategic management of the entity should be identified as the beneficial owner. If there are no non-U.S. persons who exercise substantial control, commentary to the IFR states that “the foreign pooled investment vehicle is not required to report any beneficial owners.”

New Reporting Deadlines

Reporting deadlines for foreign reporting companies are updated as follows:

- Foreign reporting companies that registered to do business in the United States before the publication date of the IFR on March 26, 2025, have 30 days from the date of publication—April 25, 2025—to file initial reports.
- Foreign reporting companies registered to do business in the United States after March 26, 2025, have 30 days to file an initial BOI report from the date of their registration to do business in the United States.
- Foreign reporting companies that have previously submitted BOI Reports will have until April 25, 2025, to update or correct previously filed reports, if necessary.

The IFR Will Likely Not Be the Last Word in U.S. Beneficial Ownership Requirements

While the publication of the IFR is a significant development, this is likely not to be the last chapter in the ongoing saga around beneficial ownership reporting requirements in the United States.

Ongoing Litigation: There are at least eleven ongoing legal challenges to the CTA in various U.S. district or circuit courts.⁴ As of the date of this alert, in one of these cases, *Texas Top Cop Shop v. Bondi*, the court has requested that the parties provide supplemental briefings on the impact of the IFR.⁵ While it is too early to tell, we expect that many, if not all, of the legal challenges to the CTA will be mooted by the implementation of the IFR, but there could also be legal challenges by proponents of the CTA seeking to reinstate the requirements for domestic reporting companies.

Challenges to the IFR: Under statute, the CTA defines “reporting company” as including “a corporation, limited liability company or similar entity that is ... created by the filing of a document with a secretary of state or a similar office under the law of a State or Indian Tribe.” 31 U.S.C. 5336(a)(11)(A). While the CTA provides the

⁴ See *Texas Top Cop Shop, Inc. v. Bondi*, 4:24-cv-00478 (E.D. Tex.); *Texas Top Cop Shop, Inc. v. Bondi*, Appeal No. 24-40792 (5th Cir.); *Smith, et al. v. U.S. Dep’t of the Treasury, et al.*, 6:24-cv-00336 (E.D. Tex.); *Smith, et al. v. U.S. Dep’t of the Treasury*, Appeal No. 25-40071 (5th Cir.); *Small Bus. Ass’n of Mich., et al. v. Yellen*, 1:24-cv-00314 (W.D. Mich.); *Boyle v. Bessent*, 2:24-cv-00081 (D. Me.); *Nat’l Small Bus. United v. Yellen*, 5:22-cv-01448 (N.D. Ala.); *Nat’l Small Bus. United v. U.S. Dep’t of the Treasury*, Appeal No. 24-10736 (11th Cir.); *Robert J. Gargasz Co., L.P.A. v. Sec’y of the Treasury*, 1:23-cv-02468 (N.D. Ohio); *Black Econ. Council of Mass. Inc. v. Yellen*, 1:24-cv-11411 (D. Mass.); *Firestone v. Yellen*, 3:24-cv-01034 (D. Or.); *Firestone v. Yellen*, Appeal No. 24-6979 (9th Cir.); *Cnty. Ass’n Inst. v. U.S. Dep’t of the Treasury*, 1:24-cv-1597 (E.D. Va.); *Cnty. Ass’n Inst. v. U.S. Dep’t of the Treasury*, Appeal No. 24-2118 (4th Cir.); *Hotze v. U.S. Dep’t of the Treasury*, 2:24-cv-00210 (N.D. Tex.); *Midwest Ass’n of Hous. Coops. et al. v. U.S. Dep’t of the Treasury*, No. 4:24-cv-12949 (E.D. Mich.).

⁵ *Texas Top Cop Shop, Inc. v. Bondi*, Appeal No. 24-40792 (5th Cir. Mar. 24, 2025) (Dkt. #344).

Secretary of Treasury, in consultation with the Attorney General and Secretary of Homeland Security, the flexibility to identify additional exemptions to the definition of reporting company, by exempting all domestic reporting companies, the IFR arguably nullifies the core purpose of the statute, exposing the IFR to negative public feedback, congressional criticism,⁶ and potential litigation.

Customer Information Program (CIP) Requirements: In justifying the IFR's changes to the domestic reporting requirements, FinCEN noted that the "continuing requirement for covered financial institutions to collect a legal entity customer's BOI [under FinCEN's 2016 Customer Due Diligence Rule] at the time of account opening will serve to mitigate certain illicit finance risks associated with exempting domestic reporting companies from reporting their BOI." Under the Biden Administration, FinCEN had previously signaled CIP requirements would be expanded to include investment advisers, potentially as soon as January 1, 2026. While it is unclear whether the current administration still intends to adhere to that timeline, the Administration's approach in the IFR may signal an intent to move forward with these expanded CIP requirements.

State-Level BOI Requirements: The New York LLC Transparency Act (NY LLCTA), which takes effect on January 1, 2026, was broadly patterned after the CTA, but differs primarily in that the disclosure requirements apply only to limited liability companies formed or authorized to do business in New York. While the NY LLCTA includes exceptions modeled after the CTA (*e.g.*, for public companies, financial institutions, broker-dealers, and other regulated entities), it seems unlikely that New York will scale back the requirements of the NY LLCTA in line with the general exception for domestic reporting companies under the IFR. Moreover, other states have proposed similar corporate transparency requirements.⁷ While these efforts pre-date recent developments related to the CTA, in the absence of an overarching federal requirement, we could see increased state-level efforts to enact beneficial ownership reporting laws, which could lead to a patchwork of state obligations.

The team at Simpson Thacher will continue to monitor developments related to the CTA, and U.S. beneficial ownership reporting requirements more broadly, and will provide updates as events develop.

⁶ See, *e.g.*, Letter from Sheldon Whitehouse, Senator from R.I., and Charles E. Grassley, Senator from Iowa, to Scott Bessent, U.S. Sec'y of Treasury (Mar. 10, 2025) (requesting an explanation for the Treasury Department's announcement of CTA enforcement suspension).

⁷ Although not enacted, a similar 2024 California senate bill would have required domestic and foreign corporations and limited liability companies doing business in California to disclose information on their beneficial owners.

For further information regarding this memorandum, please contact one of the following authors:

WASHINGTON, D.C.

Abram J. Ellis
+1-202-636-5579
aellis@stblaw.com

Jim Perry
+1-202-636-5717
james.perry@stblaw.com

Claire Cahoon
+1-202-636-5828
claire.cahoon@stblaw.com

NEW YORK CITY

George S. Wang
+1-212-455-2228
gwang@stblaw.com

David H. Caldwell
+1-212-455-2612
dcaldwell@stblaw.com

Daniel S. Levien
+1-212-455-7092
daniel.levien@stblaw.com

Sarah Wiik*
+1-212-455-3148
sarah.wiik@stblaw.com
**Not Yet Admitted*

Humza Yousuf*
+1-212-455-3179
humza.yousuf@stblaw.com
**Not Yet Admitted*

The contents of this publication are for informational purposes only. Neither this publication nor the lawyers who authored it are rendering legal or other professional advice or opinions on specific facts or matters, nor does the distribution of this publication to any person constitute the establishment of an attorney-client relationship. Simpson Thacher & Bartlett LLP assumes no liability in connection with the use of this publication. Please contact your relationship partner if we can be of assistance regarding these important developments. The names and office locations of all of our partners, as well as our recent memoranda, can be obtained from our website, www.simpsonthacher.com.