



Summary

The Corporate Transparency Act (CTA) requires certain companies to disclose information about their beneficial owners to the Treasury Department's Financial Crimes Enforcement Network (FinCEN). The goal was to create a national directory of beneficial owners to curb illicit finance, drug cartels, terrorist groups, and other harmful activities.

As of March 2025, the Treasury Department announced it will suspend enforcement of the CTA against U.S. domestic reporting companies and their beneficial owners, focusing solely on foreign entities. This means U.S. commercial real estate entities are now exempt from providing beneficial ownership information to FinCEN.

FinCEN intends to issue new rules to narrow the scope of the CTA's reporting requirements to only apply to foreign-formed companies that have registered to do business in the U.S.

The Real Estate Roundtable continues to work with policymakers in support of a balanced approach that would inhibit illicit money laundering activity without the imposition of costly reporting requirements for real estate investors.

Key Takeaways

- Thanks to the Treasury's action to suspend CTA enforcement for domestic reporting companies, much of the concern about the CTA's far-reaching scope and its impact on many commercial and residential real estate businesses that use the LLC structure for conducting business is allayed.

Background

CTA Requirements

- The stated goal of the CTA is to prevent and combat money laundering, terrorist financing, corruption, tax fraud, and other illicit activity by requiring companies to disclose beneficial ownership information, or BOI, to FinCEN, a bureau of the U.S. Department of the Treasury.
- A beneficial owner refers to an individual who owns at least 25 percent of an entity or indirectly exercises "substantial control" over it.
- The CTA amended the Bank Secrecy Act to require corporations, limited liability companies, and similar entities to supply three categories of information: information about the entity, BOI, and information about the company applicants involved in forming the entity.
- The CTA authorizes FinCEN to collect and disclose beneficial ownership information to authorized government authorities and financial institutions, subject to effective safeguards and controls. The statute requires the submission of regular reports to the federal government that include a litany of sensitive personal identifiers of the owners, senior employees, and/or advisors of covered entities.
- While this disclosure obligation began on Jan. 1, 2024, the U.S. Court of Appeals for the Fifth Circuit vacated the stay on Dec. 26, 2024 and reinstated the nationwide preliminary injunction enjoining enforcement of the CTA and the Reporting Rule, including the impending reporting deadlines. The appellate court said it was taking such action in order to preserve the constitutional status quo while that court considers the parties' weighty substantive arguments in an expedited appeal.
- On March 2, 2025, the U.S. Treasury Department announced it would suspend enforcement of the CTA against U.S. citizens and domestic reporting companies, and later issued an interim final rule through FinCEN that eliminated their reporting requirements entirely. This action removes the beneficial ownership information (BOI) reporting obligations for most U.S. entities, leaving only foreign reporting companies subject to the CTA.



Recommendations

Support Measures that Encourage Capital Formation: RER, along with its coalition partners, repeatedly raised concerns about the regulatory burden posed by the CTA and has supported the court challenges to the law. We are pleased by the Treasury's constructive action to exempt domestic reporting companies.

- Although the CTA is intended to provide support for law enforcement investigations into shell companies engaged in money laundering, tax evasion, and terrorism financing, it places many **costs and legal burdens on small businesses**, especially those in the real estate industry.
- In 2021, RER and its coalition partners submitted detailed comments to FinCEN regarding the development, disclosure, and maintenance of a new federal registry that will contain beneficial ownership information.
- In 2022, RER and its coalition partners submitted comments to Treasury and FinCEN that support efforts to thwart illegal money laundering in real estate, while encouraging policymakers to find a balanced approach that does not unfairly burden law-abiding businesses.
- RER welcomes the Treasury's action to exempt domestic reporting companies and continues to push for measures that encourage capital formation for the commercial real estate industry.