



### Summary

Under the Corporate Transparency Act (CTA), many U.S. businesses are required to disclose information on their “beneficial owners” under regulations issued (and to be issued) by the Treasury Department’s Financial Crimes Enforcement Network (FinCEN).

The rule imposes heavier compliance burdens on real estate businesses with numerous legal entities that own and operate real property across all asset classes.

On March 2, 2025, the Treasury Department announced it would suspend enforcement of the Corporate Transparency Act (CTA) against U.S. citizens and domestic reporting companies, including beneficial ownership information reporting requirements, citing a move to reduce regulatory burden and focus on foreign entities. The Treasury Department will further be issuing a proposed rulemaking that will narrow the scope of the rule to foreign reporting companies only.

RER continues to track this important issue and plans to comment on the proposed rulemaking after it is released.

### Key Takeaways

- While the CTA and its implementing regulations are not specifically targeted to real estate businesses, **it will have a direct impact on the industry.**
- Certain types of entities will be exempt from the reporting requirements; however, these exemptions will not apply to many typical real estate limited liability companies and partnerships formed to own and operate commercial properties.
- There is significant 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.

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### 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 January 1, 2024, the U.S. Court of Appeals for the Fifth Circuit vacated the stay on December 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.

### Recommendations



**Find A Balanced Approach to Implementing the CTA:** RER, along with its coalition partners, has repeatedly raised concerns about the regulatory burden posed by the CTA and has supported the court challenges to the law.

- Although the measure 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.
- The real estate coalition's extensive comments emphasize the "scope of the CTA is far-reaching and will impact many commercial residential real estate businesses who are frequent users of the LLC structure for conducting business. If not implemented with a clear set of rules and regulations, the CTA could result in an outcome of confusion, missteps, and ultimately fines on law-abiding businesses."
- 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 continues to work with industry partners to address the implications of FinCEN's proposed rules and the impact they could have on capital formation and the commercial real estate industry.