



BY KELLY GORMAN

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# Warming Up to New Regulations: Corporate Transparency Act Updates and State-Level Business Transparency

**The Corporate Transparency Act (CTA) received much attention in the business and legal press before and after its effective date of Jan. 1, 2024. Then, amid various legal challenges to the CTA and its beneficial ownership information reporting requirements, the Financial Crimes Enforcement Network announced plans to issue an interim rule to narrow the scope of the reporting requirements. This article discusses the interim rule and state-level beneficial ownership requirements and pending legislation, all of which should be at the forefront for Wisconsin attorneys who work with business entities, especially those registered in different states.**

**F**rom law firm news alerts and State Bar of Wisconsin publications to client inquiries and other institutional guidance, complying with the Corporate Transparency Act (CTA) and its fluctuating reporting requirements has continued to be a point of discussion (and possibly contention) for businesses and the broader legal community.<sup>1</sup>

The CTA's reporting obligations originally took effect on Jan. 1, 2024.<sup>2</sup> Congress passed the CTA as part of the William M. (Mac) Thornberry National Defense Authorization Act for Fiscal Year 2021.<sup>3</sup> The Financial Crimes Enforcement Network (FinCEN), a bureau of the U.S. Department of the Treasury, is tasked with administering the CTA and implementing its reporting requirements.<sup>4</sup> According to FinCEN's director, Andrea Gacki, the CTA was designed to "untangle opaque corporate structures, allowing enforcement authorities to better pursue criminals and protect our national security."<sup>5</sup> This included the goal of preventing deliberate misuse of legal entities and resulting illicit financial activity.<sup>6</sup>

This spring, amid various legal challenges to the CTA, FinCEN announced its intent to revise beneficial ownership requirements under the CTA to reduce the burden for entities, including many U.S. small businesses.<sup>7</sup> Specifically, FinCEN would issue an interim beneficial ownership information (BOI) reporting rule (the Rule) to narrow the scope of BOI reporting to foreign reporting companies.<sup>8</sup>

On March 21, 2025, FinCEN announced the Rule, which had an effective date of March 26, 2025.<sup>9</sup> It is estimated that the changes brought by the Rule will reduce the number of reporting entities from approximately 32 million initially projected for 2024 to just under 12,000 entities per year, on average.<sup>10</sup>

### The Interim Final Rule

The Rule scales back the CTA by amending the current BOI reporting requirements in three main ways.

First, the Rule exempts all domestic reporting companies, and their beneficial owners, from the requirements to file initial BOI reports and to update or correct previously filed BOI reports.<sup>11</sup> Specifically, the term "reporting company" was redefined to remove the previously defined term "domestic reporting company," so domestic reporting companies fall outside the scope of the Rule.<sup>12</sup> Further, FinCEN added a new exemption to the list of its exempted entities. Specifically, this new exemption applies to "any entity that is (A) a corporation, limited liability company, or other entity; and (B) created by the filing of a document with the secretary of state or any similar office under the law of a State or Indian tribe" (formerly known as "domestic reporting companies").<sup>13</sup>

Through these revisions, a "reporting company" obligated to file BOI includes only those entities that are formed under the laws of a foreign country and that have registered to do business in any U.S. state or tribal jurisdiction by the filing of a document with a secretary of state or similar office (formerly known as "foreign reporting companies").<sup>14</sup>

Second, the Rule exempts these foreign reporting companies from having to report the BOI of any U.S. persons<sup>15</sup> who are beneficial owners of the foreign reporting company.<sup>16</sup> U.S. persons who are beneficial owners of a foreign reporting company also are exempted from having to provide such BOI to any foreign reporting company.<sup>17</sup>

The Rule retains the requirement for foreign reporting companies and their beneficial owners (excluding U.S. persons) to report BOI to FinCEN by the following deadlines:

- Any entity that became a reporting company



before March 26, 2025, was required to file a report no later than April 25, 2025.

- Any entity that becomes a reporting company on or after March 26, 2025, must file a report within *30 calendar days* after the earlier of the date on which it receives actual notice that it has been registered to do business or the date on which a secretary of state or similar office first provides public notice, such as through a publicly accessible registry, that the reporting company has been registered to do business.<sup>18</sup>

Additionally, note that the Rules do not explicitly exempt reporting of company applicants for foreign entity reporting companies registered on or after Jan. 1, 2024, regardless of whether these individuals are U.S. persons.<sup>19</sup>

Third, the Rule revises the special rule associated with foreign pooled investment vehicles (PIVs) to exempt foreign PIVs from having to report the BOI of U.S. persons who exercise substantial control over the entity.<sup>20</sup>

Previously, PIVs that would be a reporting company if not for the PIV exemption, and were formed under the laws of a foreign country, were required to report BOI with respect to an individual who exercises substantial control over the entity.<sup>21</sup> If more than one individual exercised substantial control over the entity, the entity had to report information about the individual who had the greatest authority over the strategic management of the entity.<sup>22</sup>

Under the Rule, foreign PIVs must now report only the BOI of an individual who exercises substantial control over the entity if that individual is not a U.S. person.<sup>23</sup> If more than one individual exercises substantial control over the foreign PIV and at least one of those individuals is not a U.S. person, the entity must report information with respect to the individual who is not a U.S. person who has the greatest authority over the strategic management of the entity.<sup>24</sup> If all individuals with substantial control over a foreign PIV are U.S. persons, the entity is not required to report any

## AT A GLANCE

### Interim Final Rule's Three Main Changes:

- Definition of Reporting Company:** (31 C.F.R. § 1010.380(c)): Reporting companies obligated to file beneficial ownership information (BOI) reports are entities that are formed under the law of a foreign country and that have registered to do business in any U.S. State or Tribal jurisdiction by the filing of a document with a secretary of state or similar office (formerly known as "foreign reporting companies") and do not otherwise fit within an exemption under 31 C.F.R. § 1010.380(c)(2).
- Beneficial Ownership:** While reporting companies still need to report information about their beneficial owners (defined at 31 C.F.R. § 1010.380(d)), reporting companies do not need to report any U.S. persons as beneficial owners (31 C.F.R. § 1010.380(d)(4)(i)). U.S. persons are also exempt from having to provide BOI to any reporting company for which they are a beneficial owner (31 C.F.R. § 1010.380(d)(4)(ii)). Note that the Rule doesn't explicitly exempt reporting of company applicants (defined at 31 C.F.R. § 1010.380(e)), regardless of whether these individuals are U.S. persons.
- Revised Special Rule for Foreign Pooled Investment Vehicles:** Must report the BOI of an individual who exercises substantial control over the entity if that individual is not a U.S. person (31 C.F.R. § 1010.380(b)(2)(iii)). **WL**

beneficial owners.<sup>25</sup>

If there is an obligation to report under the Rule, penalties for CTA non-compliance remain. These include civil penalties of up to \$500 for each day the violation continues (the civil penalty amount is adjusted annually for inflation) and criminal penalties consisting of up to two years' imprisonment, a fine of up to \$10,000, or both.<sup>26</sup>

A comment period to provide feedback on the Rule had a deadline of May 27, 2025.<sup>27</sup> FinCEN intends to finalize the Rule before the end of 2025.<sup>28</sup>

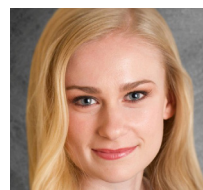
### Balancing Public Interest with Transparency and Security in the Financial System

Changes to the BOI reporting requirements have brought mixed reactions. For example, at a hearing of the House Financial Services Subcommittee on National Security, Illicit Finance, and International Financial Institutions, some commentators expressed gratitude for the rollback of the CTA, noting, among other common contention points, the regulatory and privacy burdens BOI requirements imposed on U.S.

citizens, particularly small businesses.<sup>29</sup>

Others questioned the effectiveness of the CTA in its new form and worried that the narrowing of BOI reporting requirements could hinder efforts to track illicit financial activities and allow bad actors to exploit the system.<sup>30</sup> Because BOI reporting now is limited to foreign entities, will non-U.S. parties simply form their entities in the U.S. to avoid reporting obligations?

Another concern is whether, as a result of the Rule, the U.S. will be found noncompliant with baseline international anti-money laundering and counter-financing standards.<sup>31</sup>



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Specifically, in the global arena, there has been an increasing push from anti-money laundering groups such as the Financial Action Task Force (FATF) (of which the U.S. is a member) to require countries to disclose beneficial ownership of business organizations.<sup>32</sup> The FATF is an independent intergovernmental body that develops and promotes policies to protect the global financial system, and the FATF recommendations are recognized as an international anti-money laundering and counterterrorist financing standard.<sup>33</sup>

After the CTA took effect, the FATF commended the U.S. for its progress in strengthening measures to tackle illicit finance through beneficial ownership reporting.<sup>34</sup> The Rule's narrowed scope of BOI reporting may affect this progress.

### State-Level Business Transparency

One area to watch is whether continued CTA developments at the federal level will lead to a proliferation of state or other jurisdiction transparency laws.

While jurisdictions already require varying information about business entities at the time of formation or registration and on periodically updated filings, some jurisdictions have addressed beneficial ownership more directly in recent years.

For example, New York enacted the Limited Liability Company Transparency Act (NY LLCTA), effective Jan. 1, 2026.<sup>35</sup> The NY LLCTA will require existing and newly formed limited liability companies (LLCs) organized in New York or registered to do business in the state to file a beneficial ownership disclosure form with the New York Department of State.<sup>36</sup>

As it is currently written, the NY LLCTA borrows the definition of "beneficial owner" and largely borrows the definition of "reporting company" from the CTA and its implementing regulations.<sup>37</sup> Additionally, the NY LLCTA incorporates the CTA's reporting exemptions.<sup>38</sup> It remains to be seen whether New York will amend the NY LLCTA now

that the Rule has updated the CTA's exemptions and definitions.

Other jurisdictions, such as Washington D.C., already require beneficial ownership reporting from entities formed or registered to do business in the District of Columbia.<sup>39</sup> The collection of beneficial ownership data is built into the D.C. Corporation Division's initial formation and registration process and its biennial reporting process.<sup>40</sup> The D.C. Corporation Division provides its own definition of beneficial ownership.<sup>41</sup>

In 2025, the Massachusetts Legislature additionally addressed transparency by reintroducing a bill that targets beneficial ownership of LLCs.<sup>42</sup> Massachusetts similarly has its own definition of a beneficial owner.<sup>43</sup>

Although state-level transparency regimes are also not without critique,<sup>44</sup> they may create opportunities for states to take a more tailored approach to addressing illicit financial activity by focusing on the unique aspects of their business environments. For example, the NY LLCTA narrows its coverage to the disclosure of beneficial ownership of LLCs.<sup>45</sup> State officials believe that lax disclosure rules around LLCs contribute to problems such as wage theft, money laundering, and tenant mistreatment – especially in the state's real estate sector

– and the officials say that these are key reasons for implementing the law.<sup>46</sup>

Wisconsin does not have its own beneficial ownership filing requirements, aside from the existing federal CTA obligation and requirements to file information requested on organizational documents (and annual reports) with the Wisconsin Department of Financial Institutions.<sup>47</sup> However, other state-level beneficial ownership requirements and pending legislation should still be at the forefront of Wisconsin attorneys' minds when working with entities registered in different states.

When navigating a state's business transparency regime, caution should be taken to learn the nuances of a state's law as compared to the federal CTA, including differences in definitions, reporting timelines, the frequency of filing requirements (such as an obligation to file subsequent or updated reports), exemptions, and varying disclosure requirements.

Attorneys also should be on the lookout for filing scams. While FinCEN's website ([fincen.gov/boi](https://www.fincen.gov/boi)) should be used to file CTA reports, a good place to start to learn about any state-level requirements (or the applicable state department tasked with overseeing such filing) is generally the respective secretary of state office.

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## Conclusion

As a result of FinCEN's Rule, the CTA in its current form is vastly different than the law that went into effect on Jan. 1, 2024. However, reporting obligations under the CTA for foreign reporting companies, as

well as questions sparked by the Rule, such as the potential for more states to adopt their own BOI requirements, will likely persist for the foreseeable future.

As FinCEN recognized, collecting information that is useful while minimizing the

regulatory burdens requires a "delicate balance."<sup>48</sup> Ultimately, however the CTA continues to evolve in its federal and state iterations, there likely will be a constant push and pull of a negotiated compromise between privacy and transparency. **WL**

## ENDNOTES

<sup>1</sup>This article was written in May 2025; for the most up-to-date information, please refer to the official website of the relevant law or governmental authority. Updates on federal CTA reporting and resources are available at <https://www.fincen.gov/boi>.

<sup>2</sup>Beneficial Ownership Information Reporting Requirements, 87 Fed. Reg. 59498 (Sept. 30, 2022) (31 C.F.R. pt. 1010) [hereinafter BOI Reporting Requirements].

<sup>3</sup>William M. (Mac) Thornberry National Defense Authorization Act for Fiscal Year 2021, Pub. L. No. 116-283, §§ 6401-6403, 134 Stat. 3388, 4604-25 (2021).

<sup>4</sup>31 U.S.C. § 310(b)(2)(I); see also Treas. Order 180-01, ¶ 3(a) (Jan. 14, 2020) (noting that the Secretary delegated the authority to implement, administer, and enforce the Bank Secrecy Act and its implementing regulations (which include CTA reporting obligations) to the Director of FinCEN).

<sup>5</sup>*Oversight of the Financial Crimes Enforcement Network (FINCEN) and the Office of Terrorism and Financial Intelligence (TFI): Hearing Before the Comm. on Fin. Servs.*, 118th Cong. 68 (2024) (statement of Andrea M. Gacki, director, Financial Crimes Enforcement Network).

<sup>6</sup>Pub. L. No. 116-283, §§ 6401-6403, 134 Stat. at 4604.

<sup>7</sup>FinCEN Notice FIN-2025-CTA1 (Feb. 18, 2025).

<sup>8</sup>U.S. Dep't of Treas., *Treasury Department Announces Suspension of Enforcement of Corporate Transparency Act Against U.S. Citizens and Domestic Reporting Companies* (Mar. 2, 2025), <https://home.treasury.gov/news/press-releases/sb0038>.

<sup>9</sup>FinCEN, *FinCEN Removes Beneficial Ownership Reporting Requirements for U.S. Companies and U.S. Persons, Sets New Deadlines for Foreign Companies* (March 21, 2025), <https://www.fincen.gov/news/news-releases/fincen-removes-beneficial-ownership-reporting-requirements-us-companies-and-us>; BOI Reporting Requirements, *supra* note 2.

<sup>10</sup>*Compare Beneficial Ownership Information Access and Safeguards*, 88 Fed. Reg. 88732, 88740 (Dec. 22, 2023) (31 C.F.R. pt. 1010) (noting FinCEN estimates that there will be 32 million reporting companies under the CTA in 2024), *with Beneficial Ownership Information Reporting Requirement Revision and Deadline Extension*, 90 Fed. Reg. 13688, 13695 (March 26, 2025) (noting after the Rule, FinCEN estimates that there will be about 12,000 reporting companies per year) [hereinafter BOI Revision].

<sup>11</sup>BOI Revision, *supra* note 10, 90 Fed. Reg. at 13690.

<sup>12</sup>31 C.F.R. § 1010.380(c)(1).

<sup>13</sup>31 C.F.R. § 1010.380(c)(2)(xxiv).

<sup>14</sup>31 C.F.R. § 1010.380(c).

<sup>15</sup>See 31 C.F.R. § 1010.380(f)(10) (noting that the term "United States person" in 31 C.F.R. § 1010.380 has the meaning given the term in I.R.C. § 7701(a)(30) (1986)).

<sup>16</sup>31 C.F.R. § 1010.380(d)(4)(i).

<sup>17</sup>31 C.F.R. § 1010.380(d)(4)(ii).

<sup>18</sup>31 C.F.R. § 1010.380(a).

<sup>19</sup>31 C.F.R. § 1010.380(b)(1)(ii). *But see* 31 C.F.R. § 1010.380(b)(2)(iv).

<sup>20</sup>BOI Revision, *supra* note 10, 90 Fed. Reg. at 13690.

<sup>21</sup>*Id.*

<sup>22</sup>*Id.*

<sup>23</sup>31 C.F.R. § 1010.380(b)(2)(iii).

<sup>24</sup>*Id.*

<sup>25</sup>BOI Revision, *supra* note 10, 90 Fed. Reg. at 13690.

<sup>26</sup>31 U.S.C. § 5336(h)(3)(A).

<sup>27</sup>BOI Revision, *supra* note 10, 90 Fed. Reg. at 13689.

<sup>28</sup>*Id.*

<sup>29</sup>See *Following the Money: Tools and Techniques to Combat Fraud: Hearing Before the Subcomm. on Nat'l Sec., Illicit Fin., & Int'l Fin. Insts. of the H. Comm. on Fin. Servs.*, 119th Cong. 24:05 (2025) (statement of Warren Davidson, chairman, Subcomm. on Nat'l Sec., Illicit Fin., & Int'l Fin. Insts.); see also *id.* at 43:55, 56:09 (testimony of Jeff Brabant, vice president, National Federation of Independent Business).

<sup>30</sup>See *id.* at 27:44 (statement of Joyce Beatty, ranking member, Subcomm. on Nat'l Sec., Illicit Fin., & Int'l Fin. Insts.) ("Gutting the CTA eliminates a critical tool for law enforcement to detect and deter fraud cases

that involve anonymous shell companies, effectively making the United States a haven for money launderers, traffickers, and fraudsters."); see also *id.* at 58:12 (testimony of Kathy Stokes, director of fraud prevention programs, AARP) ("I understand from them [law enforcement] how critical information is that will help them get to the bottom of cases and anything that takes away from that is a challenge.").

<sup>31</sup>Maureen Leddy, *Corporate Transparency Act Won't Be Enforced Against U.S. Citizens, Domestic Entities*, Thomson Reuters (March 4, 2025), <https://tax.thomsonreuters.com/news/corporate-transparency-act-wont-be-enforced-against-us-citizens-domestic-entities/>.

<sup>32</sup>See FATF, *Public Statement on Revisions to R.24* (March 4, 2022), <https://www.fatf-gafi.org/en/publications/fatfrecommendations/documents/r24-statement-march-2022.html> (highlighting measures taken by the Financial Action Task Force to strengthen international standards on beneficial ownership reporting); see also FATF, *United States*, <https://www.fatf-gafi.org/en/countries/detail/United-States.html> (last visited June 17, 2025) (noting that the U.S. has been a member of the Financial Action Task Force since 1990).

<sup>33</sup>FATF, *International Standards on Combating Money Laundering and the Financing of Terrorism & Proliferation: The FATF Recommendations* 1 (Feb. 2025), <https://www.fatf-gafi.org/content/dam/fatf-gafi/recommendations/FATF%20Recommendations%202012.pdf>. [coredownload.inline.pdf](https://www.fatf-gafi.org/content/dam/fatf-gafi/recommendations/FATF%20Recommendations%202012.pdf).

<sup>34</sup>See FATF, *United States' Progress in Strengthening Measures to Tackle Money Laundering and Terrorist Financing* (March 26, 2024), <https://www.fatf-gafi.org/en/publications/Mutualevaluations/united-states-fur-2024.html>; see also FATF, *Anti-Money Laundering and Counter-Terrorist Financing Measures: United States* 3 (Mar. 2024) ("The Corporate Transparency Act (CTA) was enacted to address deficiencies relating to beneficial ownership information transparency in the United States.").

<sup>35</sup>See S. 8059, 2023-24 Leg., Reg. Sess. (N.Y. 2024).

<sup>36</sup>N.Y. Ltd. Liab. Co. Law § 1107(a) (McKinney 2025).

<sup>37</sup>N.Y. Ltd. Liab. Co. Law § 1106(a)-(b).

<sup>38</sup>N.Y. Ltd. Liab. Co. Law § 1106(c).

<sup>39</sup>See D.C. Code § 29-102.01 (2025); see also D.C. Code § 29-102.11.

<sup>40</sup>See Dep't of Licensing & Consumer Prot., *Frequently Asked Questions: Federal CTA Beneficial Ownership Reporting Requirements and Registered Entities in the District of Columbia* (Jan. 2, 2024), [https://dlcp.dc.gov/sites/default/files/dc/sites/DLCP/publication/attachments/FAQ%20-%20FCTA%20BO%20Reporting%20Requirements%20and%20DC%20Registered%20Entities\\_2.pdf](https://dlcp.dc.gov/sites/default/files/dc/sites/DLCP/publication/attachments/FAQ%20-%20FCTA%20BO%20Reporting%20Requirements%20and%20DC%20Registered%20Entities_2.pdf) (noting that updated reports are also required if an entity's beneficial ownership changes between biennial reports).

<sup>41</sup>See D.C. Code § 29-102.01(6)-(7).

<sup>42</sup>H. 501, 194th Leg., Reg. Sess. (Mass. 2025).

<sup>43</sup>*Id.* § 1.

<sup>44</sup>See, e.g., Christina Houston, Robert R. Keatinge, Thomas E. Rutledge & Jim Wheaton, *The Corporate Transparency Act: Are Rumors of Its Death Exaggerated?*, ABA (Mar. 17, 2025), [https://www.americanbar.org/groups/business\\_law/resources/business-law-today/2025-march/corporate-transparency-act-are-rumors-of-its-death-exaggerated/](https://www.americanbar.org/groups/business_law/resources/business-law-today/2025-march/corporate-transparency-act-are-rumors-of-its-death-exaggerated/) (referencing Fourth Amendment concerns) (behind payroll for some readers).

<sup>45</sup>N.Y. Ltd. Liab. Co. Law § 1106(b) (McKinney 2025).

<sup>46</sup>See Gov. Kathy Hochul, *Governor Hochul Signs the LLC Transparency Act* (Dec. 23, 2023), <https://www.governor.ny.gov/news/governor-hochul-signs-llc-transparency-act>; see also Brad Hoylman-Sigal, *On Billionaires' Row, Electeds, Unions, & Tenants Rally to Shine a Light on Secretive LLCs* (Sept. 27, 2023), <https://www.nysenate.gov/newsroom/press-releases/2023/brad-hoylman-sigal/billionaires-row-electeds-unions-tenants-rally>.

<sup>47</sup>Wis. DFI, *Business Entity General Information*, <https://dfi.wi.gov/Pages/BusinessServices/BusinessEntities/GeneralInformation.aspx> (last visited June 17, 2025).

<sup>48</sup>BOI Reporting Requirements, *supra* note 2, 87 Fed. Reg. at 59550. **WL**