

## TREASURY DEPARTMENT RULE

# BENEFICIAL OWNERSHIP REPORTING SUSPENDED

**T**HE U.S. Treasury Department has announced that it will not enforce a law requiring most businesses with fewer than 20 employees and less than \$5 million in annual revenue to report ownership and control information to the federal government every year.

The Corporate Transparency Act required firms to file this information by Jan. 1, 2025, under the threat of a maximum civil penalty of \$500 per day (up to \$10,000) and up to two years in prison.

The Treasury Department said it would not enforce any penalties or fines associated with the beneficial ownership information reporting rule on any companies that missed the Jan. 1 deadline. As well, it will not enforce penalties going forward for companies that fail to file their BOI report.

While the Trump administration cannot repeal the CTA, it is instead opting not to enforce it and plans to introduce new regulations that would essentially eliminate enforcement of the law for U.S. businesses.

### The act explained

The CTA aimed to crack down on fraud, money laundering and terrorism funding that can run through anonymous business entities.

Under the act, businesses with 20 workers and less than \$5 million in revenue were required to file reports identifying their

“beneficial owners,” defined as individuals who own or control 25% or more of the equity interest of a company or who exercise “substantial control over its management or operations.”

There were some exemptions to the reporting requirement, including stock brokerages, banks and other financial institutions, insurance companies, accounting firms, public agencies and non-profits. It’s estimated that the law affected some 32 million small businesses.

### What’s next

The Treasury Department will issue a proposed rulemaking that will narrow the scope of the rule to foreign reporting companies only. A “foreign reporting company” refers to any entity formed under the law of a foreign country and registered to do business in any state or tribal jurisdiction.

Legal experts recommend that affected companies which have not yet filed an initial, updated or corrected report may want to consider waiting to file a BOI report until new guidance is issued by the Treasury Department, as no penalties or fines will be enforced for failing to file reports for now.

The department’s action may face legal challenges, or the present or a subsequent administration could restore the reporting requirements as the law remains on the books. ❖



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## Engage Legal Counsel to Review Your DEI-Related Policies

### Steps employers can take

Given the legal uncertainty, the law firm Fisher Phillips recommends that companies consider the following actions:

- Engage legal counsel to review DEI-related policies, training materials and communications. Focus on areas such as hiring, promotion, compensation, training, mentorship, internships and affinity group policies.
- Shift from targeted DEI initiatives based on protected characteristics to programs that promote skill-building, access and inclusion for all employees. Emphasize transparent, merit-based advancement and development opportunities.
- Ensure workplace programs emphasize workplace culture, professional development and merit-based access to

opportunities.

- Update your training to reflect the latest EEOC guidance. Make sure that decision makers understand that DEI efforts cannot involve preferences or separate treatment based on protected traits.

### Bottom line

The new guidance is a major shift in how the EEOC will approach regulating workplace discrimination. For employers, this means a narrower path for legally compliant programs and greater exposure to discrimination claims from any employee group.

If you have a workplace DEI program, it’s imperative that you revisit it and adjust it accordingly. ❖