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LEGAL UPDATES

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U.S. Treasury Department Declines to Enforce CTA

Service

Corporate Transparency Act (CTA)

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On March 2, 2025, the U.S. Department of the Treasury ended months of speculation regarding how the Corporate Transparency Act (CTA) would be implemented and enforced under the second Trump administration. Via press release, the Treasury Department announced that "not only will it not enforce any penalties or fines associated with the beneficial ownership information reporting rule under the existing regulatory deadlines, but it will further not enforce any penalties or fines against U.S. citizens or domestic reporting companies or their beneficial owners after the forthcoming rule changes take effect either."

This announcement effectively sets a policy of non-enforcement in connection with the CTA for "U.S. citizens or domestic reporting companies or their beneficial owners." For the same entities, it also removes the looming deadline for reporting beneficial ownership information (BOI) to the Treasury Department's Financial Crimes Enforcement Network (FinCEN). Originally, the CTA's BOI reporting deadline was January 1, 2025, but the deadline had been paused and moved by federal courts in response to the numerous lawsuits challenging the CTA's legality. Last month, the Eastern District of Texas granted the U.S. government's request to stay a national injunction, seemingly opening the door to CTA enforcement after a lengthy delay; however, the Treasury Department announcement has once again shelved most enforcement of the law for the time being.

Furthermore, the announcement also revealed that the Treasury Department will develop a rule narrowing the scope of the CTA to foreign reporting companies only. It is unclear if the proposed rulemaking will require reporting of foreign beneficial owners of U.S. reporting companies.

A distinction should be drawn between the Treasury Department's decision not to enforce the CTA with repeal of the CTA, which must be done by an act of

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Congress. It is unclear whether the Treasury Department's policy will be the subject of legal challenges. The CTA does not draw meaningful distinctions between U.S. and foreign businesses regarding reporting and compliance. Nonetheless, it is not obvious who would have standing to bring such a legal challenge.

Additionally, even if the CTA policy and rulemaking survives any prospective legal challenges during President Trump's second term, absent statutory changes to the authorizing law, it is not difficult to imagine a future administration revoking the Trump-era policy and restoring the CTA's enforcement provisions.

Finally, for reporting companies that have already complied with the CTA and provided to the government their BOI, there is uncertainty over how that information will be handled. FinCEN has maintained a website for over a year designed to facilitate electronic reporting, and even amid the CTA's legal challenges, it has encouraged businesses to "voluntarily" report BOI. While businesses need not be concerned about disclosure of their BOI pursuant to a Freedom of Information Act (FOIA) request—BOI reported to FinCEN is exempted from disclosure under FOIA—the information presumably can still be used by FinCEN and shared with other federal and state agencies and foreign governments for activities related to national security, intelligence, and law enforcement, as described under the CTA and its regulations. At present there is no mechanism for clawing back BOI already shared with FinCEN.

What this means to you

The Treasury Department's announcement does not kill off the CTA, but it does establish a policy of non-enforcement for U.S. citizens, domestic reporting companies, or their beneficial owners. Time will tell if the policy and the subsequent rulemaking survive legal scrutiny, but for now, CTA enforcement is mostly off the table.

Contact us

If you have questions regarding the CTA's reporting requirements or its applicability to your business, contact Yuefan Wang, Joseph Diedrich, Matti Mortimore, or your Husch Blackwell attorney.

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