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Corporate Transparency Act Further Narrowed: Treasury Department Suspends Enforcement of CTA Against U.S. Citizens and Domestic Reporting Companies

Client Alert

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What Happened?

On March 2, 2025, the United States Department of the Treasury (the "Treasury") issued a brief press release announcing that it will not enforce any penalties or fines under the Corporate Transparency Act ("CTA") against U.S. citizens or domestic reporting companies or their beneficial owners, either under existing regulatory deadlines or after forthcoming CTA rule changes take effect. As discussed in our previous Client Alert, the Financial Crimes Enforcement Network ("FinCEN") announced on February 27, 2025, that reporting obligations under the CTA were suspended pending its proposed rulemaking that would be announced by March 21, 2025.

Future Rulemaking Will Further Restrict CTA Enforcement

The Treasury announcement also stated that it would be issuing a proposed rulemaking that will narrow the scope of the rule to foreign reporting companies only. Consistent with the rest of its announcement, it appears that beneficial ownership reporting requirements will only be enforced against foreign reporting companies that are registered to conduct business in the United States and the beneficial owners of these foreign companies who are not U.S. citizens. Given the extensive litigation that the CTA has already spawned, it is possible that the Treasury's action may be challenged as an unconstitutional exercise of executive enforcement discretion, since the statute remains in effect. Proposals introduced in Congress to repeal the CTA, were they to pass, would presumably moot that issue.

What Should You Do?

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With this update, domestic reporting companies and beneficial owners who are U.S. citizens may pause their efforts to report beneficial ownership information to FinCEN and await further updates through the proposed rulemaking process. Foreign reporting companies that have foreign beneficial owners should continue to prepare to report their beneficial ownership information to FinCEN in anticipation of a newly issued deadline. Domestic and foreign reporting companies remain free to file beneficial ownership information reports at their election.

Please contact any author of this Client Alert with any questions or concerns that you may have regarding your reporting company's obligations under the CTA.

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