THOMPSON HINE

Corporate Law Update

March 2025

CTA Enforcement Suspended for U.S. Citizens and Domestic Companies, Further Guidance Expected

On Sunday, March 2, 2025, the U.S. Treasury Department issued a press release declaring it suspended the Financial Crimes Enforcement Network (FinCEN) enforcement of the Corporate Transparency Act (CTA) against U.S. citizens and domestic reporting companies.

This comes less than two weeks after we reported on FinCEN's February 19, 2025 reinstatement of the reporting requirements under, and enforcement of, the CTA after the United States District Court for the Eastern District of Texas in *Smith v. United States Department of the Treasury* lifted the last remaining nationwide injunction on the CTA. In that guidance, FinCEN provided a new compliance deadline of March 21, 2025, for most entities, but also indicated it will further reassess its position on the CTA to reduce regulatory burdens on businesses while still prioritizing reporting for entities that posed the highest threat to U.S. national security. The Treasury Department made good on that promise in its latest press release stating:

> [W]ith respect to the Corporate Transparency Act, ***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.*** The Treasury Department ***will further be issuing a proposed rulemaking that will narrow the scope of the rule to foreign reporting companies only.*** Treasury takes this step in the interest of supporting hard-working American taxpayers and small businesses and ensuring that the rule is appropriately tailored to advance the public interest.
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> "This is a victory for common sense," said U.S. Secretary of the Treasury Scott Bessent. "Today's action is part of President Trump's bold agenda to unleash American prosperity by reining in burdensome regulations, in particular for small businesses that are the backbone of the American economy." ***(emphasis added.)***

It is difficult to estimate how long we will wait for new proposed regulations under the CTA. But for now, while U.S. citizens and domestic companies still must file under U.S. law, it is clear that FinCEN will not enforce that law on those parties. However, at this time, non-U.S. citizens and foreign reporting companies should continue to comply with FinCEN's February 19 guidance.

Finally, Congress is still considering H.R. 736 "Protect Small Businesses from Excess Paperwork Act of 2025" bill that passed the House by a vote of 408-0 on February 10, 2025, and on February 11, 2025, was transferred to the Senate and referred to the Committee on Banking, Housing, and Urban Affairs. There has been no legislative activity on that bill since. If the Senate approves the bill, the filing deadline for most reporting companies will be extended to January 1, 2026. You can follow the status of this legislation here. However, considering the Treasury Department's new position on enforcement, the text of this bill may change further or, we could see a new proposed bill that is more consistent with Treasury's enforcement position.

We will continue to provide updates on the status of this matter as it develops.

FOR MORE INFORMATION

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