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Corporate Transparency Act: Treasury Announces No Enforcement for Reporting Failures by US Citizens and Domestic Reporting Companies and Further Rulemaking To Limit Application to Foreign Companies



On February 27, 2025, the U.S. Department of the Treasury's (Treasury Department) Financial Crimes Enforcement Network (FinCEN) issued a [press release](#) confirming that the agency would not issue any fines or penalties or take any other enforcement action against companies based on failure to file or update beneficial ownership information (BOI) reports by current applicable deadlines (which had been set at March 21, 2025, for most reporting companies).

FinCEN stated there would be no enforcement of the CTA until a forthcoming interim final rule became effective and promised a new proposal before March 21, 2025.

In a surprising Sunday evening announcement three days later, the Treasury Department issued its own [press release](#) on the future of the CTA. This release went further than FinCEN's initial statements, committing that, even "after the forthcoming rule changes take effect," FinCEN will not enforce the CTA against (1) U.S. citizens, (2) domestic reporting companies, or (3) any beneficial owner of any domestic reporting company.

Moreover, per the Treasury Department's statement, the agency will be issuing a proposed rulemaking to narrow the scope of the rule to require BOI reports to be filed only on behalf of "foreign reporting companies." Under the CTA, the term "foreign reporting company" is defined very narrowly to include only entities formed under non-U.S. law that are registered to do business in a U.S. state or tribal jurisdiction. Importantly, this term does not encompass U.S. entities that are ultimately beneficially owned by foreign individuals or entities. It is quite common for foreign individuals and entities to create U.S. affiliates or subsidiaries for transacting in the United States, rather than registering a foreign entity for that purpose. Thus, the Treasury Department's proposed narrowing of the CTA requirements, if adopted, would seem to leave a broad scope of foreign-owned entities outside of the CTA's reporting requirements.

The President [praised](#) the Treasury's announcement on Truth Social as "exciting news," remarking that the BOI reporting requirement for U.S. citizens was "outrageous and invasive."

What Does This Mean?

For the foreseeable future, filing BOI reports under the CTA is entirely voluntary.

The next step will be issuance of an interim rule and then adoption of a final amended CTA rule that will apparently apply only to "foreign reporting companies." Once a new, narrower rule is adopted by FinCEN, it appears that the Treasury Department envisions that CTA reports will only be required to be filed and updated by "foreign reporting companies."

What Comes Next for the CTA?

The CTA is a statute passed by a two-thirds majority of Congress in 2021 over the President's veto in the waning days of his first term. It does provide regulators the authority to issue exemptions to the CTA's reporting requirements beyond those identified specifically in the statute by Congress—although in its initial rulemaking, FinCEN chose not to expand upon the exemptions identified by Congress. Moreover, the administration may cite section 5318(a) of the Bank Secrecy Act (BSA) as providing legal support for its narrowing of the CTA's application. This section contains a grant of broad exemptive authority to the Treasury secretary that enables the Treasury secretary to unilaterally prescribe "appropriate" exemptions to BSA requirements.

However, given how broadly the administration proposes to cut back the CTA's reach, it is very likely that there will be legal challenges to the administration's proposed narrowing of the CTA on the basis that the rollback goes beyond the president's authority to exempt additional categories of entities beyond those identified by Congress. This is an argument that may find more traction in the courts in the [post-Loper Bright world](#), where deference to regulators' interpretative authority has been substantially restricted.

It bears noting, however, that regardless of the success of the proposal to narrow the scope of the CTA, the administration still arguably has the power to decide not to enforce the CTA, as the president retains broad authority to exercise discretion in setting enforcement priorities within the executive branch. Thus, while the CTA remains U.S. law, it may not be enforced unless/until another administration chooses to resurrect the requirements.

That assumes, of course, that the statute itself survives; any litigation over the scope of the proposed amended CTA regulations will be added to the robust and growing docket of constitutional challenges to the CTA that are winding their way through the U.S. appellate courts, some of which could potentially make it to the U.S. Supreme Court docket this term. The courts may ultimately hold the CTA either entirely or partially unconstitutional under one or more of the theories that have been advanced by plaintiffs challenging the law.

And Congress may also act to set a new course on the CTA. The changes being proposed by the Treasury Department come on the heels of a *unanimous* House of Representatives vote on February 10, 2025, to approve extending the CTA deadlines for existing reporting companies to January 1, 2026 (H.R. 736). A companion bill (S.505) has been introduced in the Senate, and while it may take some time based on the current Senate workload, we expect the Senate bill will obtain considerable support (as it did in the House of Representatives) and will ultimately become law with possible amendments to reflect a separate filing deadline for existing foreign reporting companies to be consistent with the expected interim final rule. While these bills only propose delaying reporting deadlines under the CTA, prior bills have been introduced to repeal the CTA altogether—and could gain traction again, particularly considering the administration's apparent commitment to

nonenforcement.

Key Takeaway: Stay Tuned

If we have learned anything from the regulatory whiplash endured over the past year, it is that it's not over until it's over when it comes to the CTA.

For the foreseeable future, it seems that U.S. entities can choose to hold off on filing their initial or updated reports regarding their beneficial ownership information. Foreign reporting companies may ultimately be required to report under FinCEN's anticipated new rule, but given the uncertainties at play, many may choose to wait until FinCEN promulgates the new rule.

In the longer term, as reported in our [prior publications](#), lengthy litigation and continued activity in the political branches are expected and may further affect the CTA's reporting requirements. And, unless the CTA is repealed by Congress or ruled wholly unconstitutional if/when it finally makes its way to the Supreme Court, a subsequent administration with different political or law enforcement/national security priorities may bring the full force of the CTA back to bear.

For more details regarding the CTA's reporting requirements, see our prior publications regarding [the CTA as a whole](#), [a midyear status update](#), [New York's corporate transparency law](#), and [our Compliance Collective CLE webinar](#), among [other publications](#) discussing the application of specific CTA exemptions or ambiguities.

Please reach out to your Perkins Coie team with any questions or for support in relation to CTA compliance.

Authors

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