

Clients & Friends Memo

U.S. Treasury Department Suspends Enforcement of Corporate Transparency Act Against Domestic Reporting Companies and U.S. Citizens; Foreign Reporting Companies Will Receive Another Reporting Deadline Extension

March 5, 2025

On March 2, 2025, the U.S. Treasury Department announced it will not enforce any penalties or fines against U.S. citizens, domestic reporting companies, or beneficial owners of domestic reporting companies under the Corporate Transparency Act ("CTA").¹ The Treasury Department further announced that it plans to issue a proposed rule that will narrow the scope of the CTA's reporting requirements to apply solely to foreign reporting companies.²

The CTA regulations define a "domestic reporting company" as an entity that is "created by the filing of a document with a secretary of state or any similar office under the law of a State or Indian tribe."³ A "foreign reporting company" is defined as an entity that is formed under the law of a foreign country and registered to do business in any State or tribal jurisdiction by the filing of a document with a secretary of state or any similar office under the law of a State or Indian tribe.⁴

The Treasury Department's March 2 announcement largely eviscerates the CTA, at least for now. Foreign reporting companies are estimated to constitute a small fraction of the entities to which the CTA was intended to apply.⁵ The March 2 announcement also supersedes a February 27, 2025 announcement by the Treasury Department's own Financial Crimes Enforcement Network

¹ Press Release, U.S. Dep't of the Treasury, Treasury Department Announces Suspension of Enforcement of Corporate Transparency Act Against U.S. Citizens and Domestic Reporting Companies (Mar. 2, 2025), *available at* <https://home.treasury.gov/news/press-releases/sb0038> (last accessed Mar. 4, 2025).

² *Id.*

³ 31 C.F.R. § 1010.380(c)(1). The term "State" means any state of the United States, the District of Columbia, the Commonwealth of Puerto Rico, the Commonwealth of the Northern Mariana Islands, American Samoa, Guam, the United States Virgin Islands, and any other commonwealth, territory, or possession of the United States. *Id.* at (f)(9).

⁴ 31 C.F.R. § 1010.380(c)(1).

⁵ As of September 2022, FinCEN estimated that foreign entities would constitute 70,933 of the total number of 36,510,573 reporting entities, or less than 0.2%. 87 Fed. Reg. 59,498, 59,565 (Sept. 30, 2022).

("FinCEN"), in which FinCEN stated it will not issue fines or penalties against reporting companies (domestic or foreign) that fail to file or update beneficial ownership information reports by the current deadline of March 21, 2025.⁶ FinCEN also announced it intends to issue by March 21, 2025 an interim final rule extending the reporting deadlines.⁷ The Treasury Department's March 2 announcement did not specify a timeframe for the issuance of such a rule.

This is likely not the last significant development regarding the CTA, even for domestic reporting companies and U.S. citizens. While the forthcoming proposed rulemaking can be expected to focus on foreign reporting companies, the beneficial owners of such companies may include U.S. citizens. Court proceedings contesting the constitutionality of the CTA are still pending in several courts. Legislation is pending in Congress that would postpone the reporting deadline to January 1, 2026, and the Treasury Department's March 2 announcement may strengthen efforts in Congress to repeal the CTA outright. Moreover, the Treasury Department's position not to enforce the CTA against domestic reporting companies may be challenged in court, or could be reversed by a future presidential administration.

We will continue to monitor developments regarding the CTA as they occur.

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⁶ *FinCEN Not Issuing Fines or Penalties in Connection with Beneficial Ownership Information Reporting Deadlines*, FINCEN, available at <https://www.fincen.gov/news/news-releases/fincen-not-issuing-fines-or-penalties-connection-beneficial-ownership> (last accessed Mar. 4, 2025).

⁷ *Id.*