

# **CTA Limited to Foreign Entities**

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The Corporate Transparency Act (“CTA”) is yet again making headlines. As we previously reported, the Financial Crimes Enforcement Network (“FinCEN”) recently extended the CTA reporting deadline to March 21, 2025, for most reporting companies. However, since then, FinCEN announced they will not penalize individuals or entities for not filing a beneficial ownership information report (“BOIR”) by the March 21<sup>st</sup> deadline and indicated they will be proposing changes to the CTA reporting rule to reduce the “regulatory burden on businesses.”

A few days later, the Treasury Department went one step further by announcing that the revised CTA reporting rules will apply to “foreign reporting companies only” and the Treasury Department will not take any enforcement actions against U.S. citizens or domestic reporting companies or their beneficial owners for failing to file BOIRs after the new rule changes take effect.

## **FinCEN Announces No Enforcement Actions for Non-Compliance**

On February 27, 2025, FinCEN issued notice FIN-2025-CTA2 that it will not take any enforcement actions against companies that do not comply with the March 21, 2025, deadline:

Today, FinCEN announced that it will not issue any fines or penalties or take any other enforcement actions against any companies based on any failure to file or update beneficial ownership information (BOI) reports pursuant to the Corporate Transparency Act by the current deadlines. No fines or penalties will be issued, and no enforcement actions will be taken, until a forthcoming interim final rule becomes effective and the new relevant due dates in the interim final rule have passed.

FinCEN also stated its intention to further extend the deadline and revise the scope of the existing rules:

**No later than March 21, 2025**, FinCEN intends to issue an interim final rule that extends BOI reporting deadlines, recognizing the need to provide new guidance and clarity as quickly as possible, while ensuring that BOI that is highly useful to important national security, intelligence, and law enforcement activities is reported.

The result of FIN-2025-CTA2 was essentially to make CTA compliance voluntary pending further rulemaking from FinCEN.

## **Treasury Department Announces Proposed Rule Limiting CTA to Foreign Entities**

Shortly after FinCEN’s announcement, the Treasury Department issued a separate Press Release on March 2, 2025, stating its intent to exclude U.S. citizens and domestic reporting companies from any enforcement actions under the CTA:

The Treasury Department is announcing today that, with 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 also stated it is preparing a proposed rulemaking to narrow the scope of the CTA to foreign reporting companies only:

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.

For context, a “foreign reporting company” under the CTA includes any entity that satisfies all of the following elements:

- A corporation, limited liability company, or other entity;
- 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.

Accordingly, no penalties or fines will be imposed for non-compliance with the CTA’s reporting requirements under current regulatory deadlines, at least with respect to U.S. citizens and domestic entities and their beneficial owners.

#### **What Now?**

For now, at least, the CTA is indefinitely on hold for U.S. citizens and domestic reporting companies. Foreign entities and non-U.S. citizens presumably will be the only parties subject to the CTA’s reporting requirements when the Treasury Department’s final rules are issued.

Additionally, the constitutionality of the CTA remains uncertain. As previously reported, there are several pending cases before various appellate courts throughout the country challenging the constitutionality of the CTA and its reporting requirements on multiple grounds. In addition, yesterday, the U.S. District Court for the Western District of Michigan ruled the CTA is unconstitutional on Fourth Amendment grounds in *Small Business Association of Michigan et al v. Yellen et al*.

The future of the CTA remains uncertain, but for now, no enforcement actions will be taken against U.S. citizens or domestic entities under the CTA. Businesses may elect to voluntarily file, but there appear to be no consequences for individuals or entities that choose to ignore the CTA.

Please contact the Seigfreid Bingham Corporate Law Practice Group or your regular Seigfreid Bingham contact with any questions.

*This article is general in nature and does not constitute legal advice. The authors of this article are members of Seigfreid Bingham’s Corporate Law Practice Group and Corporate Transparency Act Task Force and routinely represent clients in corporate structuring and other general business matters. If you or your organization have questions about the impact of these developments, please contact John Fuchs, Rachel Sterbenz, Emily Crane, Tate Thompson, or Nida Rais at 816.421.4460.*