

Insights

TREASURY SUSPENDS CTA ENFORCEMENT AGAINST U.S. CITIZENS AND COMPANIES; FEDERAL DISTRICT COURT DECLARES CTA UNCONSTITUTIONAL

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SUMMARY

On March 2, 2025, the Treasury Department announced that it will not enforce any penalties or fines associated with the beneficial ownership information reporting rule under the existing regulatory deadlines or forthcoming rule changes for U.S. citizens, domestic companies, and their beneficial owners. And, the day after the Treasury made its announcement, a federal district court in Michigan declared the CTA's reporting requirements unconstitutional under the Fourth Amendment's prohibition against unreasonable searches. The CTA, however, still remains in full force and effect, and regardless of the guidance on enforcement, it is not clear the legal requirement to report will change. Prudent companies should continue to be prepared to comply with the reporting requirement by March 21.

The Corporate Transparency Act (the "CTA") remains in full force and effect, although [FinCEN](#) recently announced that it will not take any enforcement actions against reporting companies who fail either to file or to update their beneficial ownership information ("BOI") reports by the current deadlines. Instead, FinCEN declared its intent to issue an interim final rule by or before March 21, 2025, which will contain new, extended deadlines for compliance.

However, on March 2, 2025, the Treasury Department (i.e., the department that oversees FinCEN) announced that "not only will it not enforce any penalties or fines associated with the beneficial ownership information reporting rule under the existing regulatory deadlines," but also it will "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." Instead, the Treasury Department will "issu[e] a proposed rulemaking that will narrow the scope of the rule to foreign reporting companies only." The 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."

Moreover, cases challenging enforcement of the CTA remain pending in the courts. Notably, the day after the Treasury made its announcement, a federal district court in Michigan declared the CTA's reporting requirements unconstitutional under the Fourth Amendment's prohibition against unreasonable searches. *Small Bus. Ass'n of Mich. v. Yellen*, No. 1:24-CV-314, 2025 WL 704287, at *12 (W.D. Mich. Mar. 3, 2025). The court's injunction, however, applies only to the parties in that case (including the organizational plaintiffs' members) and thus the injunction does not have nationwide effect like previous injunctions and stays issued by Texas district courts. *Id.*

Although the Treasury Department's announcement suspends *enforcement* of the CTA against noncompliant U.S. citizens and domestic reporting companies even after its forthcoming rule changes take effect, this announcement does not suspend the reporting requirements themselves, which were established by Congress. Because the injunction issued in *Small Business Association of Michigan* only relieves the parties in that case from the reporting requirements, all other reporting companies are still under an obligation to file their BOI reports. The Treasury's announcement, however, states that reporting companies will not be penalized for noncompliance. Further, and according to the Treasury Department, application of the forthcoming changes to the rule may be narrowed to only foreign reporting companies, with such foreign reporting companies remaining subject to CTA enforcement once the changes take effect.

Regardless of the guidance on enforcement, it is not clear the *legal* requirement to report will change, and prudent companies should continue to be prepared to comply with the reporting requirement by March 21st. While some companies may choose to rely on the FinCEN and Treasury guidance regarding enforcement, the law is still in full force and effect even without enforcement actions.

To navigate these rules and deadlines for reporting companies and recent updates, [contact BCLP's CTA team](#) with any questions. Please note that BCLP does not provide advice as to the application of these laws to an entity unless we have been expressly engaged to provide such advice.

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