
Hughes Hubbard & Reed

FinCEN Limits Enforcement of Corporate Transparency Act

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March 4, 2025 – On March 2, the U.S. Department of the Treasury announced that it will not enforce any penalties or fines against U.S. citizens or domestic reporting companies or any of their beneficial owners for failure to comply with the Corporate Transparency Act (CTA) after the forthcoming rule changes take effect (further information on the forthcoming rule changes can be found here).

The Treasury Department further announced that it will in the future issue a proposed rulemaking to narrow the scope of the new rules to foreign reporting companies only.

As a result, domestic reporting companies (and their beneficial owners) will not be penalized for failing to comply with the CTA. It is currently unclear whether U.S. citizens who are “beneficial owners” of a foreign reporting company will be penalized for failing to comply with the CTA (but the Treasury Department may by way of a future rule clarify in this regard).

The Treasury Department also noted that it will not enforce any penalties or fines associated with the reporting rules under the existing regulatory deadline (which is currently March 21 for most reporting companies).

We also expect that further guidance and rules from the Treasury Department and the Financial Crimes Enforcement Network (FinCEN), a bureau within the Treasury Department, will clarify that any data included in filed beneficial ownership information (BOI) reports will not be accessible to U.S. or foreign law enforcement or intelligence agencies.

It remains to be seen how these developments affect the pending litigation throughout the country relating to the constitutionality of the CTA, including *NSBA v. Yellen*, in which Hughes Hubbard represents the National Small Business Association.

To summarize, domestic reporting companies will not be penalized for failing to file a BOI report with FinCEN. Foreign reporting companies should be prepared to file a BOI report to comply with the CTA, subject to any additional announcements from the Treasury Department as noted above.

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