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Ping-Pong Match Appears Over: US Companies Apparently Definitively Relieved of Compliance Obligations Under the Corporate Transparency Act

Regulatory & Compliance on **March 5, 2025**

The Corporate Transparency Act (the CTA) requires a range of entities, primarily smaller, unregulated companies, to file reports with FinCen, and arm of the Treasury Department, identifying the entities' beneficial owners, and the persons who formed the entity. The purpose of the CTA was to aid in the detection of terrorism, money-laundering, and tax evasion.

As previously reported, the federal courts in Texas preliminarily enjoined the enforcement of the CTA. When a court recently lifted the last such injunction, FinCen set a new deadline for compliance, but on March 2nd FinCen announced that it would not enforce the CTA pending its issuance of new rules that would make the CTA applicable only to "foreign reporting companies," as outlined in our client alert.

While we don't expect any of this to change materially, we advise that you continue to watch this space as the status of the CTA has been quite volatile. We also recommend that you take into account that the CTA is technically effective, just not being enforced. Thus, pending the anticipated adoption of new rules, failure to comply is technically a violation for the purposes, for example, of reps and warranties in transaction documents.

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