

# Updates to the Corporate Transparency Act Are Coming in at a Rapid Fire - Treasury Issued a Huge Change in the Trajectory of the New Law

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If you feel punch-drunk from the rapid-fire updates to the Corporate Transparency Act ("CTA"), you are not alone. It is hard to keep up with the madness surrounding this law. Hoping not to stupefy readers, I will address what I believe is the latest major development in the life of the CTA. The Treasury made an earth-shattering announcement this past Sunday that can be broken down into the following two bite-size components:

1. In addition to not enforcing the CTA or imposing penalties for a mere failure to meet the new March 21, 2025 reporting deadline, the Treasury will not enforce the CTA or impose penalties thereafter against U.S. citizens or domestic reporting companies or their beneficial owners. In other words, the Treasury only intends to enforce the CTA against foreign reporting companies.
2. The Treasury will be issuing proposed rules that will narrow the scope of the CTA to what it calls "foreign reporting companies."

**U.S. Secretary of the Treasury Scott Bessent states that this development in the short life of the CTA is a "victory for common sense."**

With that announcement, most of us can take a sigh of relief. Maybe these past few months were just a bad dream! At this point, waiting for the Treasury's proposed rulemaking should be much less stressful. Narrowing the playing field to "foreign reporting companies" likely makes navigating the CTA easier. Still, the devil is in the details.

Please note that, at the time of publishing this blog post, FinCEN (a bureau of the Treasury) has not updated its website with this announcement.

Understanding what constitutes a "foreign reporting company" will be ever important.

Hopefully, the rules will be clear. I suspect, however, that the rules will not be free of complexity. For example, allowing foreign owners to form an entity domestically and avoid compliance with the CTA would remove the power behind the law. Accordingly, you should anticipate robust and complex rules to combat such abuse.

One last thought on this topic: Remember, the CTA was enacted to help curb money laundering, tax fraud and other illegal activities through the use of business entities. Does limiting the CTA to foreign entities accomplish that goal?

Stay tuned for more developments.

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