

Client Insight: Status of the Corporate Transparency Act

Insights

February 20, 2025

This client alert is to inform you of the current status of the Corporate Transparency Act (“CTA”) following recent legal developments. **As of February 18, 2025, the beneficial ownership reporting requirements under the CTA are back in effect, with a modified reporting deadline for most companies of March 21, 2025.**

Recent Developments

On January 7, 2025, a federal judge in Texas in the case of *Smith v. U.S. Department of the Treasury* issued an order staying enforcement of FinCEN’s regulations implementing reporting requirements for beneficial ownership information.

On February 5, 2025, the Department of Justice (the “DOJ”) appealed such order on behalf of the Treasury. In parallel, the DOJ requested a stay of the order pending the outcome of its appeal, based on the United States Supreme Court’s recent ruling in *Texas Top Cop Shop, Inc. v. McHenry*, which ruling lifted a similar stay in that case.

On February 17, 2025, the district court issued an order agreeing to stay the prior January 7 order, citing the *Texas Top Cop Shop* ruling, until the DOJ’s appeal is completed, effectively lifting the stay on enforcement of the CTA’s reporting obligations.

Current Status

As a result of the district court’s latest order, subject to any further applicable court orders, the CTA is fully enforceable and beneficial ownership information reporting is

once again required.

Following the ruling, FinCEN issued a **Notice** on February 18, 2025 that the reporting obligations under the CTA are back in effect, but with an extended reporting deadline for most companies of March 21, 2025.

Notably, FinCEN states in its notice that during this 30-day extension period it intends to assess its options to further modify the deadline, including prioritizing reporting for entities that “pose the most significant national security risks” and that it intends to initiate a process sometime this year to revise the reporting rules to reduce the burden on “lower-risk” entities, including many U.S. small businesses.

The new reporting deadline does not in any way impact any later deadlines that had previously been applicable to any reporting companies. For example, it does not accelerate the deadline for entities that have April reporting deadlines as a result of disaster relief extensions, nor does it accelerate any deadlines granted to plaintiffs as the result of any CTA related litigation. The delayed enforcement also does not add additional time to deadlines falling after the new date. For example, a company formed 29 days prior to March 21, 2025 will still have its filing due 30 days after formation pursuant to the reporting rules, on March 22, 2025.

Potential Congressional Relief

In parallel to the ongoing litigation regarding the CTA, Congress is currently considering a bill to extend the BOI reporting deadline to January 1, 2026.

On February 10, 2025, the U.S. House of Representatives unanimously passed HR736 the “Protect Small Business From Excessive Paperwork Act”, which simply revises the beneficial ownership reporting deadline to January 1, 2026. This bill is currently being considered in the Senate Committee for Banking, Housing and Urban Affairs.

Recommendations

To the extent reporting companies have not already made their beneficial ownership information filings, we advise all reporting companies to assemble the applicable beneficial ownership information and ensure timely compliance with the new March 21, 2025 reporting deadline.

Reporting companies should remain informed regarding the ongoing legal proceedings regarding the CTA, including in respect of any further court orders that might impact the new reporting deadline.

Reporting companies should also keep apprised of any further guidance that may be provided by FinCEN itself, as it has indicated that it plans to further assess the reporting deadline. Similarly, reporting companies should stay informed regarding the status of HR736 in the event it is passed by the Senate and is signed into law.

Gunderson Dettmer will continue to monitor the situation closely and provide updates as they become available. If you have any questions regarding the status of the CTA and how it may affect your business, or if you need assistance regarding a beneficial ownership filing, please do not hesitate to contact us.

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