



The Corporate Transparency Act is Back, Probably...Five Takeaways for Affected Entities

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The Corporate Transparency Act (CTA), enacted on January 1, 2021, as part of the National Defense Authorization Act (NDAA), marked a seismic shift in U.S. business regulation. Designed to combat money laundering, terrorism financing, and other illicit activities by piercing the veil of anonymous shell companies, the CTA imposed unprecedented reporting requirements on millions of small and medium-sized businesses (SMBs). Over the past four years, its journey through implementation, legal challenges, and policy shifts has been tumultuous, reflecting broader tensions between regulatory oversight and business autonomy. This blog traces the CTA's recent legal history, offering a comprehensive overview of its evolution and current status.

Genesis and Initial Implementation (2021–2023)

The CTA emerged from a decades-long push to enhance transparency in corporate ownership, spurred by concerns over the use of shell companies in financial crimes. Congress overrode a veto from then-President Donald Trump on January 1, 2021, passing the NDAA with the CTA embedded within it by veto-proof majorities in both chambers. The law directed the Financial Crimes Enforcement Network (FinCEN), a bureau of the U.S. Treasury Department, to establish a national registry of beneficial ownership information (BOI) for “reporting companies”—entities such as corporations and LLCs created or registered to do business in the U.S.

The CTA's core requirement was straightforward yet far-reaching: reporting companies must disclose the identities of their beneficial owners—individuals who own at least 25% of the entity or exercise substantial control over it—to FinCEN. This information included full legal names, dates of birth, residential addresses, and unique identification numbers from documents like passports or driver's licenses. Exemptions were carved out for 23 categories, including large operating companies (those with over 20 employees, \$5 million in revenue, and a U.S. physical presence), publicly traded firms, and certain nonprofits, but the vast majority of SMBs fell under its purview.

Implementation began in earnest on January 1, 2024, following FinCEN's issuance of final rules in 2022 and 2023. Companies formed before this date were given until January 1, 2025, to file initial BOI reports, while those created in 2024 had 90 days from formation, and those formed in 2025 onward had 30 days. Noncompliance carried stiff penalties: civil fines of up to \$500 per day (capped at \$10,000) and criminal penalties of up to two years in prison for willful violations. FinCEN estimated that over 32 million entities would be affected in 2024 alone, with compliance costs exceeding \$22 billion—a burden disproportionately borne by SMBs.

Early Legal Challenges (2024)

The CTA's rollout faced immediate resistance. Critics, including business groups and libertarian advocates, decried it as an overreach, arguing it violated constitutional protections and imposed undue administrative burdens on SMBs. The first significant legal challenge emerged in March 2024, when the U.S. District Court for the Northern District of Alabama ruled in *National Small Business Association v. Yellen* that the CTA exceeded Congress's enumerated powers under the Constitution, including the Commerce Clause and taxing authority. The court issued a narrow injunction, halting enforcement against the plaintiffs—the National Small Business Association (NSBA) and one of its members—but FinCEN maintained that other entities remained subject to the law. The government appealed to the Eleventh Circuit, setting the stage for a prolonged legal battle.

Meanwhile, the January 1, 2025, deadline loomed for pre-2024 entities, prompting a flurry of compliance efforts amid uncertainty. SMBs scrambled to identify beneficial owners, consult advisors, and navigate FinCEN's online reporting system, launched in late 2023. The complexity of determining "substantial control"—a term encompassing not just ownership but influence over major decisions—confounded many, especially family businesses and startups with intricate ownership structures.

A Nationwide Injunction and Judicial Ping-Pong (Late 2024–Early 2025)

The CTA's legal saga intensified in late 2024. On December 3, 2024, the U.S. District Court for the Eastern District of Texas, in *Texas Top Cop Shop, Inc. v. Garland*, declared the CTA unconstitutional and issued a nationwide preliminary injunction, halting enforcement entirely. The plaintiffs, including the National Federation of Independent Businesses (NFIB) with its 300,000 members, argued that the law infringed on states' rights to regulate business formation and imposed excessive federal oversight. The court agreed, and its broad injunction relieved millions of SMBs just weeks before the January 1, 2025, deadline.

The government swiftly appealed to the Fifth Circuit, seeking an emergency stay. On December 23, 2024, a motions panel granted the stay, reinstating the CTA's enforceability and extending filing deadlines to January 13, 2025, for some entities. However, this victory was short-lived. On December 26, 2024, a merits panel of the Fifth Circuit vacated the stay, reinstating the nationwide injunction. FinCEN responded on December 27, 2024, clarifying that reporting was voluntary while the injunction remained in effect, though companies could still submit BOI reports if they chose.

The government escalated the matter to the U.S. Supreme Court on December 31, 2024, requesting a stay of the injunction pending the Fifth Circuit's merits review. Briefing in the Fifth Circuit was set to conclude by February 28, 2025, with oral arguments scheduled for March 25, 2025, promising further delays. Meanwhile, a second Texas federal court, in the Eastern District's Tyler Division, issued another nationwide injunction on January 7, 2025, reinforcing the CTA's legal limbo.

Treasury's Pivot and the CTA's Uncertain Future (February–March 2025)

Amid this judicial chaos, a significant policy shift occurred under new Treasury Secretary Scott Bessent, appointed following the 2025 inauguration of President Donald Trump. On February 18, 2025, the Eastern District of Texas lifted its earlier block in a separate case, briefly reviving CTA enforcement. FinCEN set a new compliance deadline of March 21, 2025, but signaled it would not impose penalties until an interim final rule was issued—a concession to mounting pressure.

On March 2, 2025, the Treasury Department announced a dramatic reversal: it would suspend enforcement of BOI reporting requirements for U.S. citizens and domestic entities, limiting the CTA's scope to foreign reporting companies only. This decision, detailed in a forthcoming proposed rulemaking, effectively gutted the law's application to the estimated 34 million SMBs it originally targeted. Posts on X reflected public sentiment, with users like @Andreafreedom76 praising Bessent for revoking an "unconstitutional" burden, while others, like @dogeai_gov, criticized the government's chaotic rollout.

Today, the CTA remains in a state of flux. The Fifth Circuit's merits review and potential Supreme Court action could reinstate or permanently strike down the law. For now, SMBs are off the hook (again), but the legal and regulatory landscape remains unstable.

Critical Reflections on the CTA's Trajectory

The CTA's history reveals a clash between noble intent and practical reality. Its aim—to thwart illicit finance—was laudable, yet its execution ensnared millions of law-abiding SMBs in red tape. The law's broad sweep and vague definitions (e.g., "substantial control") fueled confusion, while its penalties threatened disproportionate harm. Legal challenges exposed constitutional vulnerabilities, particularly Congress's authority over state-regulated entities, and the Treasury's retreat suggests a tacit admission of overreach.

This saga also underscores the judiciary's role as a check on legislative ambition. The ping-pong of injunctions and stays reflects not just legal uncertainty but a deeper debate over federalism and privacy. SMBs, caught in the crossfire, faced a compliance nightmare—estimated at 126 million hours in 2024 alone—only to see the rug pulled out by judicial and executive action.

Five Key Takeaways for Small and Medium-Sized Businesses

1. Stay Informed, But Don't Panic

As of March 4, 2025, the Treasury's suspension of BOI reporting for domestic entities means SMBs are not currently required to file. However, the Fifth Circuit's pending decision and potential Supreme Court review could revive the CTA. Monitor updates from FinCEN, legal advisors, or trade associations like the NFIB to stay ahead of changes without expending unnecessary resources now.

2. Understand Your Status

Even if enforcement resumes, not all SMBs are equal under the CTA. Review whether your business qualifies for an exemption (e.g., large operating company status with over 20 employees and \$5 million in revenue). For non-exempt entities, identify beneficial owners—those with 25% ownership or substantial control—to prepare for possible future filings.

3. Leverage Advisors Wisely

The CTA's complexity—evident in its shifting deadlines and ambiguous terms—underscored the value of professional guidance. Attorneys or accountants can help interpret ownership structures and ensure compliance if the law is reinstated. Avoid DIY filings, as errors could trigger penalties, though the current suspension reduces immediate pressure.

4. Prepare for Uncertainty

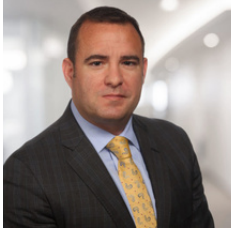
The CTA's legal history teaches that regulatory landscapes can shift rapidly. Maintain organized records of ownership details (names, addresses, IDs) and company information (legal name, EIN, address) to pivot quickly if reporting resumes. This proactive stance mitigates risks without committing to immediate action.

5. Advocate and Adapt

SMBs bore the brunt of the CTA's intended scope, yet their voices—via groups like the NSBA and NFIB—helped derail it. Engage with industry advocates to shape future policy, and adapt operations (e.g., simplifying ownership structures) to minimize exposure to similar regulations. The Treasury's pivot shows responsiveness to pressure, a lesson in resilience for SMBs.

Conclusion

The Corporate Transparency Act's journey from ambitious reform to legal quagmire reflects the challenges of balancing transparency with practicality. As of March 5, 2025, SMBs enjoy a reprieve, but the story is far from over. By staying vigilant, leveraging resources, and learning from this odyssey, businesses can navigate whatever lies ahead—whether it's a resurrected CTA or a new chapter in corporate regulation.



About the Author

For more than twenty years, [Richard L. Hathaway](#) has assisted business in numerous industries to navigate substantial obstacles with an aim at protecting and preserving its intellectual property. He has successfully enforced his business client's agreements and protected their rights in arbitration and in Texas state and federal courts. He and his team are available to assist your business in meeting its compliance requirements and safeguarding its intellectual and tangible assets. If you have questions about this blog or how he can help you and your business, you can reach him via email at: Rhathaway@krcl.com and via phone at 214-777-4270.