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Attorney General James Sues to Stop Federal Policy Shielding Criminals' Finances

New Treasury Department Rule Illegally Gutted Law Requiring Shell Companies to Disclose Their Owners

AG James and 20 Other Attorneys General Sue to Enforce Transparency Law to Combat Money Laundering, Corruption, and Other Crimes

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NEW YORK – New York Attorney General Letitia James today [joined a coalition of 20 other attorneys general in suing the Trump administration to block a new Treasury Department rule that shields millions of shell companies](#), including those used by money launderers, drug traffickers, and criminal organizations, from disclosing their owners. In 2021, Congress passed the Corporate Transparency Act (CTA) to crack down on secretive shell companies that disguise their owners' identities. The CTA requires domestic and foreign companies to report information on their owners to the Treasury Department. The Trump administration has effectively overturned this law by enacting a rule that exempts all domestic companies and U.S. owners of foreign companies from the law's requirements, allowing the true owners of both foreign and domestic

shell companies to remain anonymous. Attorney General James and the coalition argue that this rule undermines law enforcement investigations into criminal organizations and prevents states from collecting taxes by allowing shell companies to shield funds from authorities. In their lawsuit, Attorney General James and the coalition argue the Treasury Department rule is illegal and unconstitutional, and seek a court order preventing it from being implanted.

“Secretive shell companies help drug traffickers, tax cheats, and other criminals hide their illegal profits,” said **Attorney General James**. “The Trump administration is gutting a critical federal law that forces these companies out of hiding and helps law enforcement track down stolen funds. Today, we are taking action to uphold the law and ensure that criminal networks cannot abuse the system to hide their activities.”

Shell companies are corporations that typically have no physical presence beyond a mailing address, no employees, and produce nothing. Networks of shell companies are often used to conceal their owners' finances and identities, making them popular tools for money launderers and other criminals. Shell companies are commonly used in tax evasion, financial fraud, and other crimes, and are key components of funding networks for terrorism, drug and human trafficking, and political corruption.

The CTA created the nation's first comprehensive requirements for both foreign and domestic companies to report their ownership information to help crack down on anonymous shell companies. The law requires the Financial Crimes Enforcement Network (FinCEN)

within the Treasury Department to collect ownership information on corporations that may be shell companies and make it available to state and federal law enforcement. In 2024, the first year that CTA was implemented, millions of corporations reported information about their owners to FinCEN. At that time, the Treasury Department estimated that approximately 32.6 million companies would be covered under the law, with about five million new eligible companies formed every year.

In 2025, the Trump administration's Treasury Department issued a rule to completely undermine CTA's effectiveness. The rule exempted all domestic companies from disclosure requirements and allowed all foreign companies to decline to identify any U.S.-based owner. Attorney General James and the coalition explain in their lawsuit that this rule effectively overturns CTA by exempting nearly every company that would be covered under the law. According to the administration's own estimates, more than 99.9 percent of all corporations that would be subject to the reporting requirements are now exempted. The Treasury Department also announced in its new rule that it will delete the information it has collected on companies that are now exempted, despite lacking legal authority to do so.

Exempting shell companies from these disclosure requirements will cause significant harm. State and local law enforcement can use FinCEN's data for civil and criminal investigations into criminal organizations. By undermining CTA, the Treasury Department has taken away a law enforcement tool that could prevent money launderers, fraudsters, and other bad actors from concealing their funds and identities with shell companies. States could also use the

FinCEN records required by CTA for tax enforcement. The administration's rule will make it easier for businesses and individuals to avoid paying taxes by concealing their finances in anonymous shell companies.

Attorney General James and the coalition argue that the administration's rule violates both the Administrative Procedure Act and the Constitution. The rule violates the requirements of CTA and runs contrary to Congress' intention of increasing transparency into shell companies. The rule also violates the Constitution's Separation of Powers and Take Care clauses, which give only Congress the power to legislate and require executive branch agencies to carry out the laws. The lawsuit seeks a court order declaring the Treasury Department's rule unlawful and preventing it from being implemented.

Joining Attorney General James in filing this lawsuit are the attorneys general of Arizona, California, Colorado, Delaware, Illinois, Maine, Maryland, Massachusetts, Michigan, Minnesota, Nevada, New Jersey, New Mexico, North Carolina, Oregon, Rhode Island, Virginia, Washington, Wisconsin, and the District of Columbia.