

Corporate Law Update

December 2024

Nationwide CTA Preliminary Injunction Comes with Uncertainty

As you may have heard, on December 3, 2024, the U.S. District Court for the Eastern District of Texas issued a nationwide preliminary injunction against enforcement of the Corporate Transparency Act (CTA). In *Texas Top Cop Shop, Inc., et al. v. Merrick Garland, Attorney General of the United States* (E.D. Tex., No. 4:24-cv-00478), Judge Amos L. Mazzant stated that the CTA “is likely unconstitutional” and the CTA is “hereby enjoined, and the compliance deadline is stayed...[neither] may be enforced, and reporting companies need not comply with the CTA’s January 1, 2025, BOI reporting deadline pending further order of the Court.” The entire opinion can be found [here](#).

Notably, several other courts have reviewed this issue and made a different determination. Several of those decisions are on appeal, and it will be some time before the issue is finally determined.

While it is important to note that the court in Texas has not made an affirmative final determination as to the constitutionality of the CTA and reporting, the language of the injunction issued by the court holds that there is no affirmative obligation to file CTA reports. Unfortunately, this creates a great deal of uncertainty considering the original December 31, 2024, deadline, and the open question of whether the reporting requirements will be in effect as of that date.

Given this development, the most conservative approach is to continue to comply with the CTA filing deadline as if this injunction were not in place. This puts a filer in the best position if the CTA is upheld and/or the injunction is unexpectedly lifted. Some may choose a “wait and see” approach, but that choice comes with risks that cannot be quantified at this time. So, we recommend continuing all

preparations related to filing if the injunction is lifted and if the year-end deadline is not extended. If that occurs, there seems to be no reason FinCEN could not then move forward with enforcement against those who have not fully satisfied their filing obligations.

Looking forward, we would expect the government to appeal the injunction to the Fifth Circuit, which has the power to reverse the injunction. This issue may ultimately reach the U.S. Supreme Court. In addition, it is unclear how the incoming Trump administration may choose to deal with appeal efforts in 2025.

We will continue to monitor this and issue alerts as this situation develops. As of 7 p.m. Eastern on December 4, 2024, FinCEN has not issued a press release or guidance regarding the Texas case, but we expect them to do so as with prior cases. You can follow those developments [here](#).

For more background on CTA, you can access some of our previous insights:

- [Federal Corporate Transparency Act Takes Effect January 1; Some States Following Suit](#)
- [CTA Requirements and Deadlines Remain Despite Recent Constitutional Challenge](#)
- [Corporate Transparency Act: Beneficial Ownership Reporting Deadline Approaching](#)

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