



Federal Court Issues Nationwide Injunction Prohibiting Current Enforcement of Corporate Transparency Act

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NOTE: On December 7, 2024, FinCEN posted an alert at its website noting that it has filed a notice of appeal of the injunction discussed below and including this statement:

In light of a recent federal court order, reporting companies are not currently required to file beneficial ownership information with FinCEN and are not subject to liability if they fail to do so while the order remains in force. However, reporting companies may continue to voluntarily submit beneficial ownership information reports.

The full alert from FinCEN: “Impact of Ongoing Litigation – Deadline Stay – Voluntary Submission Only” is available [here](#).

A federal district court in Texas has issued a decision at least temporarily preventing the enforcement of the Corporate Transparency Act (“CTA”). Absent this ruling, millions of companies would be required to make filings by January 1, 2025.

In *Texas Top Cop Shop, Inc. v. Garland*, [\[1\]](#) the District Court for the Eastern District of Texas found the CTA exceeded Congress’s power and enjoined the government from enforcing the CTA on a nationwide basis, expressly staying the reporting rule’s compliance deadline. As of the publication of this Client Alert, the Treasury Department has not made any statements on the injunction.

The *Texas Top Cop Shop* ruling freezes – for now – the CTA’s reporting requirements for all reporting companies. The injunction is preliminary, and the ultimate fate of the CTA remains unsettled. The government likely will appeal the district court’s ruling.

The CTA is a federal law enacted to enhance corporate transparency by requiring certain companies to disclose beneficial ownership information to the Financial Crimes Enforcement Network (FinCEN). It aims to facilitate greater transparency regarding the individuals who ultimately own or control companies operating in the United States and would require tens of

millions of domestic business entities to report information about their beneficial owners to FinCEN.

We recommend that you closely monitor further legal proceedings and consult with legal counsel to assess any impact of the recent ruling on your compliance obligations.

[1] *Texas Top Cop Shop, Inc. v. Garland*, E.D. Tex., No. 4:24-cv-00478, 12/3/24

Additional Information

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