December Surprise: Nationwide Preliminary Injunction Halts Enforcement of the Corporate Transparency Act

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On December 3, 2024, the U.S. District Court for the Eastern District of Texas issued an opinion granting a nationwide preliminary injunction enjoining the Corporate Transparency Act (the "***CTA***") and the government's enforcement of the beneficial ownership reporting requirements. Per the court's order, "reporting companies need not comply with the CTA's January 1, 2025, BOI reporting deadline pending further order of the Court."

A copy of the opinion in *Texas Top Cop Shop, Inc. v. Garland*, (Civ. Action No. 4:24-CV-478) can be viewed here.

This preliminary injunction is not the last stop for the CTA. The government has the right, and is expected, to file an immediate appeal with the Fifth Circuit Court of Appeals. The resulting decision could either stay or vacate the injunction – possibly reinstating the January 1, 2025 filing deadline. So while no beneficial ownership reports are required to be filed at the moment, reporting companies that have not yet filed may either continue their preparations or be ready to resume their work on an expedited basis should things change.

We are monitoring communications from FinCEN and relevant court filings and will provide updates on this page as they happen.

Update #1 (December 6, 2024): The Justice Department has filed a Notice of Appeal.

Update #2 (December 9, 2024): FinCEN has posted an alert on its website stating that it will comply with the injunction for as long as it remains in effect. The alert makes clear that, while the government believes that the CTA is constitutional, "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."

Update #3 (December 23, 2024): The Fifth Circuit Court of Appeals issued a per curiam opinion granting the government's emergency motion for a stay pending appeal.

Update #4 (December 23, 2024): FinCEN granted a short-term extension for certain filers as follows:

- Companies formed or registered prior to 2024 have until January 13, 2025 to file their initial report.
- Companies formed or registered on or after September 4, 2024 with filing deadlines between December 3, 2024 and December 23, 2024 have until January 13, 2025 to file their initial reports.
- Reporting companies formed or registered during the period when the injunction was in place (i.e., between December 3, 2024 and December 23, 2024) have an additional 21 days from

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their original filing deadline to file their initial reports.
- Reporting companies that previously qualified for disaster relief because of the hurricanes this year now have until the later of (i) the extended disaster deadlines and (ii) January 13, 2025.

Further, entities who have already filed their reports will need to file amended reports within 30 days of any changes thereto.

Update #5 (December 27, 2024): On December 26, 2024, a panel for the Fifth Circuit Court of Appeals vacated the prior panel's order staying the district court's injunction. This means that the CTA is once again subject to a nationwide injunction and FinCEN is prohibited from enforcing the filing obligations thereunder. No beneficial ownership filings are required to be made at this time – though the BOI filing system will still accept filings for companies who wish to voluntarily comply.

Update #6 (January 2, 2025): On December 31, 2024 the Department of Justice filed a petition with the Supreme Court of the United States requesting a stay of the district court injunction.

Update #7 (January 28, 2025): On January 23, 2025, the Supreme Court of the United States granted the Department of Justice's application for stay of the nationwide injunction that was issued by the District Court for the Eastern District of Texas on December 5, 2024 in *Texas Top Cop Shop, Inc. v. McHenry* (formerly *Texas Top Cop Shop v. Garland*). However, despite the Supreme Court's action in *Texas Top Cop Shop*, FinCEN announced on January 24, 2025 that reporting companies are not currently required to file beneficial ownership information reports because of an order from a separate district court case in the Eastern District of Texas, *Smith v. U.S. Department of the Treasury,* which stayed the effective date of the CTA's reporting rules.

Update #8 (February 7, 2025): On February 5, 2025, the Department of Justice filed a notice of appeal in *Smith* and moved to stay the district court's order while the appeal proceeds. FinCEN has announced that if the motion is granted and the CTA reporting rules come back into effect, it will grant a 30-day extension of the reporting deadline.

Reporting companies are not subject to liability if they decline to file reports while the *Smith* order remains in force. However, FinCEN has indicated reporting companies may continue to voluntarily submit beneficial ownership information reports.

For additional background on the CTA, please see our overview of the Corporate Transparency Act here or reach out to any of the individuals listed below.

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