

CORPORATE TRANSPARENCY ACT INJUNCTION GIVES TEMPORARY RELIEF FOR REPORTING OBLIGATIONS

Note: *The U.S. Fifth Circuit Court of Appeals on Dec. 23 stayed the nationwide injunction that prohibited CTA enforcement. [Read more in our Dec. 24, 2024 advisory.](#)*

On Dec. 3, the U.S. District Court for the Eastern District of Texas issued a nationwide injunction that prohibits enforcement of the Corporate Transparency Act (31 U.S.C. § 5336) and the Reporting Rule (31 C.F.R. 1010.380), and stayed the end-of-year compliance deadline for filing Beneficial Ownership Information (BOI) reports. The practical result of this development is that, in the Court's own words, "reporting companies need not comply with the CTA's January 1, 2025, BOI reporting deadline pending further order of the Court."

The much-anticipated ruling grants temporary relief to the roughly 70% of entities with CTA reporting obligations that had not filed as of Dec. 1, 2024. The key word, of course, being temporary.

While the CTA's reporting obligations have been temporarily obviated, the injunction is only preliminary and is already facing scrutiny. On Dec. 5, 2024, the defendant appealed the injunction to the Fifth Circuit Court of Appeals and, in addition to seeking relief on the merits, may move to have the injunction on CTA enforcement stayed during the appeal process. Accordingly, the duration of the injunction, as well as the new reporting deadline should it be overturned, is uncertain.

The Financial Crimes Enforcement Network (FinCEN) has published guidance providing that in light of the preliminary injunction, "FinCEN will comply with the order issued by the U.S. District Court for the Eastern District of Texas for as long as it remains in effect. Therefore, reporting companies are not currently required to file their beneficial ownership information with FinCEN and will not be subject to liability if they fail to do so while the preliminary injunction remains in effect." While the obligation to file BOI reports has been paused, FinCEN will continue to accept voluntary submissions.

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While news of the injunction was likely received with relief by many business owners and consternation from FinCEN, the ultimate outcome of this litigation is far from clear. In addition to the many uncertainties that come with appealing a lower court's order, the defendant in this case is the Department of Justice, an entity that is set to receive new leadership (that will be appointed by a president who previously attempted to veto the CTA) on Jan. 20, 2025. Aware of this fact, the current Department of Justice is likely to seek an expedited appeal, requiring a watchful eye from those who have yet to file their BOI reports.

Armstrong Teasdale will continue to monitor this litigation and for additional guidance from FinCEN. If you have any questions regarding the temporary nationwide injunction, ongoing litigation, or the practical implications of this development, please reach out to a member of our CTA team or your regular Armstrong Teasdale attorney.