



# Nationwide Injunction on the Corporate Transparency Act: Key Takeaways

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## Overview

On December 3, 2024, a federal court in Texas imposed a national injunction against the Corporate Transparency Act (CTA), prohibiting the federal government from enforcing the CTA. The court order in *Top Cop Shop, Inc., et al. v. Garland, et al.*, Case No. 4:24-cv-478 (E.D. Tex.) explicitly noted that businesses that otherwise would have had to file information about their “beneficial owners” to FinCEN are not required to comply with the reporting requirements, including the upcoming January 1, 2025, deadline.

## Background

The Corporate Transparency Act, which was passed in 2021 but did not take effect until January 1, 2024, was enacted to “prevent and combat money laundering, terrorist financing, corruption, tax fraud, and other illegal activity...” (87 Fed. Reg. 59,498 (Sept. 30, 2022)). The CTA sought to do so via increased transparency around business ownership with heightened disclosure requirements to the government. More specifically, the CTA required tens of millions of businesses to submit a Beneficial Ownership Information (BOI) Report, disclosing information about the “beneficial owners” behind each entity to FinCEN, the Financial Crimes Enforcement Network, which is part of the U.S. Department of Treasury.

Beginning January 1, 2024, the CTA required that BOI Reports be submitted within 90 days of a new entity’s registration or creation. That 90-day deadline is cut to only 30 days beginning in 2025. In addition, any eligible businesses in existence prior to 2024 were required to submit BOI reports by January 1, 2025. The CTA also required businesses to file changes, corrections, or updates to their information within 30 days of a change, such as an owner’s name change or the change of a business’s address.

Beneficial owners are generally individuals or others who have control of or own more than 25% of a particular business, and failure to comply with the CTA could subject the non-compliant individual to financial penalties and even potential imprisonment.



## Legal Path and Arguments

In *Top Cop Shop*, the Court found the CTA to be unconstitutional, saying that Congress had acted beyond the scope of its permissible legislative powers by passing the CTA. Accordingly, the Court deemed the CTA to be an impermissible expansion of federal power, and that a national injunction to halt the entire CTA was warranted.

Although the CTA had been held unconstitutional by at least one prior court case in 2024, in *National Small Business United v. Yellen* (No. 5:22-cv-01448-LCB (N.D. Ala. 2022)), the prohibition against enforcement in that case was only applicable for those plaintiffs. This injunction from the Eastern District of Texas, by contrast, has a national scope against the CTA's enforcement.

This injunction does not necessarily mean that the CTA is permanently dead. Rather, the injunction is a pause on the enforcement of the Act, although the injunction itself could potentially be overturned. The final determination on the CTA's constitutionality and validity will be determined later, pending the progression of the case on the merits through the judicial system. It seems likely that this Court's decision will be appealed to the U.S. Court of Appeals for the Fifth Circuit— the Fifth Circuit is the jurisdiction to which the Eastern District of Texas belongs—and potentially to the Supreme Court.

## Summary

The national injunction put in place on December 3, 2024, by a federal court means that the government is prevented from enforcing the Corporate Transparency Act and that businesses are not, per this injunction, required to continue filing BOI Reports per the CTA at this time, including any BOI Reports that otherwise would have been due on the January 1, 2025 filing deadline for existing businesses.

# Let's talk.

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