

CLIENT ALERTS

CRITICAL ALERT: It's On Again: Corporate Transparency Act Enforcement Reinstated

Client Alert

2.20.2025

In the seemingly unending tug of war regarding the Corporate Transparency Act ("CTA"), as of February 17, 2025, enforcement of the CTA has been reinstated and reporting companies with reporting obligations will receive an extension to comply with their CTA reporting obligations. The new deadline, as set by the Financial Crimes Enforcement Network ("FINCEN"), is **March 21, 2025**.

What happened?

On January 7, 2025, the Federal District Court for the Eastern District in Texas entered a nationwide injunction against enforcement of the CTA in the case of *Smith, et al. v. U.S. Department of the Treasury, et al.*¹ On February 17, 2025, that same court granted a stay of its previously issued injunction, pending the government's appeal of the order with the Fifth Circuit Court of Appeals. The stay does not terminate the injunction but delays its effectiveness while the appeal is pending.

Previously, on January 23, 2025, the U.S. Supreme Court had granted a stay of the nationwide injunction that was issued by a different judge of the same District Court in a different case.² However, the Supreme Court's grant of that stay did not reinstate CTA compliance obligations because of the separate injunction entered in the *Smith* case.

With the granting of the stay in *Smith*, the reporting obligations under the CTA are once again enforceable, as there are no other nationwide injunctions currently in effect that prevent enforcement.

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Justin G. Klimko
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Jennifer E. Consiglio
Shareholder

Laura E. Johnson
Shareholder

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FINCEN's Response

In response to the stay of the *Smith* injunction, FINCEN published a notice on February 19, 2025, noting the reinstatement of CTA reporting requirements and announcing a new deadline of March 21, 2025, to submit initial, updated, and/or corrected beneficial ownership reports ("BOIRs").

FINCEN also announced that it will assess its options to further modify reporting deadlines and will prioritize reporting for those entities that pose the most significant security risks. It further announced its intention to initiate a process this year to revise the reporting rule to reduce burdens for lower-risk entities, including many U.S. small businesses. Butzel will continue to monitor updates from FINCEN.

Legislative Action

Beyond the attempts to enjoin CTA enforcement via litigation, there are pending bills in Congress that would delay effectiveness of the CTA or repeal it entirely. We will monitor these legislative developments and provide updates on any developments.

What to do now?

Reporting companies that have not yet submitted their BOIRs should prepare to submit them by the extended deadline of March 21, 2025. Given the history of litigation so far, it cannot be predicted whether there will be further revisions to reporting rules or additional attempts to block CTA effectiveness. Reporting companies that have not yet filed BOIRs should assume the March 21, 2025, deadline will apply.

Please contact any author of this Client Alert with any questions or concerns that you may have regarding your reporting company's obligations under the CTA.

Justin G. Klimko

313.225.7037

klimkojg@butzel.com

Jennifer E. Consiglio

248.593.3023

consiglio@butzel.com

Laura E. Johnson

248.593.3014

johnson@butzel.com

Joseph Kuzmiak

313.983.7497

kuzmiak@butzel.com

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[1] No. 6:24-cv-336-JDK (E.D. Tex., Feb. 17, 2025).

[2] *McHenry v. Texas Top Cop Shop , Incorporated*, 604 U. S. ____ (2025).