

Nationwide Injunction Halts Corporate Transparency Act Enforcement

Alert

12.05.2024

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On Dec. 3, 2024, in the case of *Texas Top Cop Shop, Inc. v. Garland*, the U.S. District Court for the Eastern District of Texas issued a nationwide preliminary injunction against the enforcement of the Corporate Transparency Act (CTA) and the associated Beneficial Ownership Information reporting rules. Specifically, this ruling grants existing reporting companies, as defined in the CTA and its associated regulations, relief from the impending Jan. 1, 2025, reporting deadline. The government is very likely to appeal this ruling to the U.S. Court of Appeals for the Fifth Circuit; but, for now, entities across the country can pause their CTA compliance efforts.

This preliminary injunction is a temporary measure imposed by the district court to allow it more time to fully consider the constitutionality of the CTA. The district court agreed with the plaintiffs' arguments that they would likely suffer irreparable harm if this injunction were not imposed. The court also found that the CTA is likely unconstitutional, but didn't go so far as to definitively hold that it is. The government is expected to request that the Fifth Circuit stay (pause) this ruling while its anticipated appeal is pending. In turn, the Fifth Circuit could: (a) grant the stay, bringing the CTA and its associated rules back into force; (b) grant a partial stay as to the scope of the ruling (limiting its effect only to the parties to the case and not nationwide); or (c) reject the government's motion to stay, leaving the injunction in place until it decides the appeal on the merits—which almost certainly would not occur before the end of this year.

Aside from this case, there are 12 other ongoing cases across the country challenging the constitutionality of the CTA. Several other district courts have already ruled against similar preliminary injunction motions requested by the plaintiffs in those cases. It appears likely that the CTA is on track for a "circuit-split" where different courts come down on different sides as to its constitutionality. It remains to be seen how the government might try to navigate enforcement of the CTA in the event some districts and circuit courts

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find that the CTA is constitutional while others find that it is unconstitutional. The only clear solution to such a potential development would be a final resolution by the Supreme Court of the United States definitively on the constitutionality of the CTA—an outcome that will certainly take quite some time.

In addition to the ongoing court cases, the incoming Trump administration takes office on January 20, 2025, and has already expressed a general preference for deregulation. It is possible that the new administration might opt not to defend against ongoing challenges to the CTA, which would effectively preserve the status quo as it now stands—no enforcement of the CTA.

The *Texas Top Cop Shop* decision increases the level of uncertainty as to the future of the CTA. The decision makes it clear that entities do not have to comply with the CTA's provisions at this time. As outlined above; however, this reality might change. Reporting companies should remain ready to comply with the CTA should the nationwide preliminary injunction be reversed.

Stinson attorneys are ready and available to assist entities to evaluate these developments and next steps. For more information on the CTA, please contact [William Kearney](#), [Jill Radloff](#), [Zachary Taylor](#) or the Stinson attorney with whom you regularly work.

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