

Federal Court Suspends Enforcement of the Corporate Transparency Act's Reporting Requirements

(Small Businesses Rejoice Early for the Holidays)

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Business Department Alert

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On December 3, 2024, the U.S. District Court for the Eastern District of Texas issued a preliminary injunction prohibiting the federal government from enforcing the Corporate Transparency Act^[1] (the "CTA") nationwide. *Texas Top Cop Shop, Inc., et al. v. Garland, et al.*, Case No. 4:24-cv-478 (E.D. Tex.).^[2] Under the CTA, reporting companies were required to submit Beneficial Ownership Information ("BOI") reports to the United States Department of the Treasury's Financial Crimes Enforcement Network ("FinCEN") before the January 1, 2025, deadline. The Court's preliminary injunction has suspended enforcement of the reporting requirements temporarily.

The *Texas Top Cop Shop* Court held that the CTA's BOI reporting requirements^[3] to FinCEN were likely unconstitutional as a Congressional overstep of its Commerce Clause authority. In the Court's view, enforcement of the CTA would be, in effect, a "rubber stamp on a new form of federal power," and that "[f]or good reason, Plaintiffs fear this quasi-Orwellian statute and its implications on our dual system of government."^[4] Further, Judge Amos L. Mazzant III wrote, its implementation could irreparably harm reporting companies.^[5]

As a result of the Court's decision, FinCEN is currently prohibited from enforcing any of the CTA's penalties for noncompliance. Reporting companies need not comply with the CTA's upcoming January 1, 2025, BOI reporting deadline, pending further order of the Court or a higher court. Reporting companies may, however, continue to file such reports on a voluntary basis on the FinCEN website. For the latest updates on the CTA, please contact your White and Williams LLP attorney or the below authors. There is also a considerable amount of information available on the Department of Justice^[6] or FinCEN^[7] official government websites.

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[1] 31 U.S.C. § 5336

[2] To read the full opinion, please visit: https://www.bloomberglaw.com/public/desktop/document/TexasTopCopShopInctetalvGarlandetalDocketNo424cv00478EDTexMay28202?doc_id=X3PI3GTJP5E9HSPNOJK6CAU8E8G

[3] 31 C.F.R. 1010.380

[4] *Id.* at 46.

[5] *Id.* at 24.

[6] <https://www.justice.gov/>

[7] <https://boiefiling.fincen.gov/>

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