

TEXAS JUDGE ISSUES PRELIMINARY INJUNCTION AGAINST CORPORATE TRANSPARENCY ACT

12.04.2024

IMPORTANT NOTICE: *As of March 2nd, 2025, the U.S. Treasury Department announced it will not pursue enforcement actions against domestic reporting companies or their beneficial owners for failing to file their Beneficial Ownership Information (BOI) reports by the deadline, and plans to narrow the scope of reporting requirements only to foreign reporting companies. Read the latest update [here](#), and we will keep you updated on the ongoing saga of uncertainty surrounding the status of the Corporate Transparency Act.*

On December 3, 2024, a Texas federal judge issued a nationwide preliminary injunction prohibiting the federal government from enforcing the Corporate Transparency Act (CTA) and its January 1, 2025 filing deadline against any reporting company. *Texas Top Cop Shop, Inc., et al. v. Garland, et al.*, Case No. 4:24-cv-478 (E.D. Tex.).

In *Texas Top Cop Shop*, the National Federation of Independent Business and five other plaintiffs filed suit challenging the constitutionality of the CTA and its beneficial ownership reporting requirements. The plaintiffs argued the CTA exceeds Congress's constitutional powers, compels speech, burdens association, and mandates the disclosure of private information, thereby infringing upon constitutional rights.

The Court held the plaintiffs had a substantial likelihood of succeeding on the merits regarding their constitutional arguments. It further concluded that enforcing the CTA would irreparably harm reporting companies forced to comply. As a result, the Court enjoined enforcement of the CTA (31 U.S.C. § 5336), its implementing rule (31 C.F.R. 1010.380), and the compliance deadline under § 705 of the Administrative Procedure Act. While the plaintiffs had

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Texas Judge Issues Preliminary Injunction Against Corporate Transparency Act

requested a preliminary injunction only on behalf of themselves, the Court explicitly found that a nationwide injunction was warranted, stating:

"The Court determines that the injunction should apply nationwide. Both the CTA and the Reporting Rule apply nationwide to "approximately 32.6 million existing reporting companies." . . . NFIB's membership extends across the country. And, as the Government states, the Court cannot provide Plaintiffs with meaningful relief without, in effect, enjoining the CTA and Reporting Rule nationwide. The extent of the constitutional violation Plaintiffs have shown is best served by a nationwide injunction. . ."

This is a preliminary, *not final*, injunction, and further developments are almost certain. Companies should monitor updates in this case and related litigation, as well as guidance from the Financial Crimes Enforcement Network (FinCEN). We anticipate that FinCEN will appeal this ruling, and the 11th Circuit Court of Appeals is still deliberating concerning the Government's appeal of the preliminary injunction against enforcement of the CTA issued in *National Small Business United v. Yellen*, Case No. 5:22-cv-1448-LCV (N.D. Ala. 3/1/2024), which injunction only applied to the plaintiffs in that case. We anticipate further information from FinCEN in the coming days on its approach to this new ruling. If the injunction is overturned on appeal, reporting companies who have yet to file may need to quickly do so to maintain compliance.

What To Do Now

In light of these developments, reporting companies should consider the following:

1. **Wait to file:** For so long as the preliminary injunction remains in place, reporting companies are not required to file under the CTA and FinCEN cannot enforce penalties for willful noncompliance with the CTA or its deadlines. If Conner & Winters was assisting you with a CTA filing, we are ceasing work on those filings, pending further developments. If you would like us to proceed with filing despite the preliminary injunction, please notify the attorney with whom you have been working on CTA compliance.
2. **Prepare to file:** The nationwide injunction may be overturned on appeal. If it is overturned, reporting companies may have a short deadline to file. Reporting companies that have not yet filed should consider gathering the information necessary for reporting despite the preliminary injunction.
3. **Note newly formed entities compliance requirements:** If the injunction is lifted, we expect FinCEN to enforce reporting requirements for newly formed reporting companies:
 - Entities formed between January 1, 2024, and December 31, 2024, may need to file initial reports within 90 days of formation.
 - Entities formed on or after January 1, 2025, will likely have 30 days to file.
4. **Monitor Developments:** Keep up to date with the various court cases that are ongoing across the nation, including the appeals process for this case. Additional changes to reporting requirements may also result next year from the change of administration.

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For further questions or updates, please contact your attorney at Conner & Winters. We will continue to monitor the situation and provide updates as they develop.