

Corporate Transparency Act to Go Into Effect January 1, 2025

December 23, 2024

As of December 26, 2024, the Corporate Transparency Act (CTA) is once again on hold and businesses are not required to file beneficial ownership information reports (BOIRs) with FinCEN, although FinCEN is accepting voluntarily filed BOIRs. This is due to the U.S. Court of Appeals for the Fifth Circuit vacating its own motion panel's order from December 23, 2024, staying the application of the nationwide preliminary injunction which barred enforcement of the CTA. The preliminary injunction was originally issued on December 3, 2024, by the U.S. District Court for the Eastern District of Texas in the *Texas Top Cop Shop, Inc. et al. v. Garland* case.

On December 31, 2024, the government appealed the Fifth Circuit's decision to the Supreme Court of the United States requesting that the preliminary injunction be lifted or at least narrowly applied only to the plaintiffs in the *Texas Top Cop Shop* case or, alternatively, that the Supreme Court decide the merits of the case itself. The Supreme Court could act at any time on the government's appeal.

Several other active challenges to the CTA are in progress. Appeals by plaintiffs challenging the denial of preliminary injunctions against the CTA in federal District Court cases are pending in the Fourth and Ninth Circuits, while the Eleventh Circuit considers an appeal against the issuance by the U.S. District Court for the Northern District of Alabama of a final declaratory judgment barring enforcement of the CTA against the plaintiffs in the *National Small Business United v. Yellen* case. Additionally, on January 15, 2025, a bill was reintroduced in Congress, the Big Brother Overreach Act, which seeks to repeal the CTA.

As the situation may change on little or no notice, please check back here or get in touch with your Carter Ledyard lawyer to stay current with future developments and how they may affect you.

The CTA is a new federal law that requires certain businesses to report the identities of those with "beneficial ownership interests" in the business to the federal Department of Treasury's Financial Crimes Enforcement Network. The CTA's first reporting deadline was set to be Jan. 1, 2025. We previously wrote about the details of the Act here [The Corporate Transparency Act: New Beneficial Ownership Reporting Requirements](#).

Lawsuits claimed that the CTA and its regulations are unconstitutional on several grounds: first, for violating State's rights under the Ninth and Tenth Amendments; second, for violating the First Amendment by compelling speech and burdening rights of association, and third, for violating the Fourth Amendment by forcing disclosure of private information.

The U.S. District Court for the Eastern District of Texas granted a nationwide preliminary injunction in *Texas Top Cop Shop, Inc., et al. v. Garland, et al.*, temporarily halting enforcement of the Corporate Transparency Act (CTA) and its beneficial ownership information (BOI) reporting requirements, including the January 1, 2025, filing deadline. The ruling provided temporary relief to affected businesses, but a pending Department of Justice (DOJ) emergency motion to stay the injunction pending appeal has created further uncertainty.

On December 11 and December 13, 2024, the DOJ filed emergency motions with the District Court and the United States Court of Appeals for the Fifth Circuit respectively, requesting a stay of the District Court's nationwide injunction. In its motion to the Court of Appeals, the government proposed an expedited briefing schedule, requesting "a ruling on this motion as soon as possible, but in any event no later than December 27, 2024, to ensure that regulated entities can be made aware of their obligation to comply before January 1, 2025."

The Fifth Circuit has now granted the stay of the injunction, which means that, reporting companies which have not already submitted their filings should be prepared to finalize their BOI reports and file them promptly to meet the reinstated deadline. FinCEN has not indicated whether it plans to offer reporting companies an extension if the injunction is stayed or narrowed.

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