

Corporate Transparency Act Enforcement Temporarily Blocked by Court

December 9, 2024

On December 3, 2024, the U.S. District Court for the Eastern District of Texas issued a nationwide preliminary injunction that temporarily blocks enforcement of the Corporate Transparency Act (“CTA”) and the U.S. Department of the Treasury’s Financial Crimes Enforcement Network (“FinCEN”) related beneficial ownership information (“BOI”) reporting rules.

Key Takeaways

1. **Temporary Relief:** Reporting companies are temporarily relieved from the obligation to file BOI reports with FinCEN, including complying with the January 1, 2025 BOI reporting deadline applicable to reporting companies created or registered to do business before January 1, 2024.
2. **Preliminary Injunction:** This ruling is a preliminary injunction, not a final decision on the merits of the case. Enforcement could resume if the injunction is overturned on appeal or if the government prevails in the ongoing litigation.

Next Steps

1. **Monitor Developments:** The injunction is temporary, and the case will continue to be litigated. Reporting companies should stay informed of any further legal developments.
2. **No Reporting BOI at This Time:** Reporting companies need not submit any BOI to FinCEN while the injunction remains in place.
3. **Continue Preparation for Future Compliance:** Despite the temporary hold on enforcement, reporting companies should continue their preparation to comply with the CTA’s reporting requirements should enforcement resume.

The government filed a notice of appeal on December 5, 2024, but it is unclear how quickly that appeal will be heard and decided. It is also unclear whether the government will attempt to stay the injunction pending its appeal in order to preserve the January 1, 2025 BOI reporting deadline.

We are closely monitoring developments in the case and will continue to provide updates on any changes to the legal landscape. We will also monitor any statements or guidance from FinCEN regarding its response to the temporary injunction decision.

For More Information

We are available at any time to answer questions, discuss scenarios, and provide guidance. If you would like further information concerning the matters discussed in this article, please contact the below authors or visit us online at chapman.com.

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