

Federal Court Issues Nationwide Preliminary Injunction Enjoining the Government's Enforcement of the Corporate Transparency Act

Overview

On December 3, 2024, U.S. District Court Judge Amos Mazzant of the U.S. District Court for the Eastern District of Texas (Sherman Division) issued a nationwide [preliminary injunction](#) enjoining the Government's enforcement of the Corporate Transparency Act ("CTA") – a new federal law that went into effect on January 1, 2024. The CTA requires most legal entities formed or registered to do business in the United States to file reports with the Financial Crimes Enforcement Network ("FinCEN"), a bureau of the United States Department of the Treasury. These entities include corporations, limited liability companies, limited partnerships and similar entities, and are referred to as a "Reporting Company" or "Reporting Companies."

Judge Mazzant found that the CTA and the final rule implementing the CTA (the "Reporting Rule") are likely unconstitutional as outside of Congress's power. In the opinion, the Court held that the CTA, [31 U.S.C. § 5336](#), is enjoined and that enforcement of the Reporting Rule, [31 C.F.R. 1010.380](#), is also enjoined, and that the compliance deadline is stayed under § 705 of the Administrative Procedure Act. The Court further held that neither may be enforced, and "reporting companies need not comply with the CTA's January 1, 2025, BOI [beneficial ownership information] reporting deadline pending further order of the Court." Opinion, p. 79. Notably, the Court also found that the injunction "should apply nationwide." Opinion, p. 77.

Takeaways

Accordingly, so long as the permanent injunction stands, Reporting Companies do not need to comply with the CTA's January 1, 2025 reporting deadline. However, this is a preliminary injunction, not a permanent injunction and it is likely to be appealed to the United States Court of Appeals for the Fifth Circuit. It is expected FinCEN will issue an opinion or guidance regarding the preliminary injunction.



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