

CLIENT ALERT: **Nationwide Injunction on Corporate Transparency Act**

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BREAKING NEWS: On December 3, 2024, the United States District Court for the Eastern District of Texas issued an order granting a nationwide preliminary injunction enjoining the enforcement of the Corporate Transparency Act in the case *Texas Top Cop Shop, Inc., et al. v. Garland, et al.*, Case No. 4:24-CV-478 (E.D. Tex.). The court concluded that the CTA and its reporting requirements are likely unconstitutional overextensions of Congressional authority.

For the duration of the preliminary injunction, businesses and their owners are not obligated to comply with the CTA's reporting requirements – like filing an initial beneficial ownership information report by January 1, 2025. The government may not require compliance with the CTA, nor may it impose penalties for CTA noncompliance, while the preliminary injunction stands.

Although the federal government has not announced whether it will appeal the preliminary injunction, an appeal is expected. Enforcement could resume if the preliminary injunction is reversed on appeal.

RECOMMENDATIONS

Business owners should consider the following now that the CTA has been enjoined nationwide:

- Businesses that have already filed a

beneficial ownership information report have no obligation to update it to reflect changes that have occurred since the prior filing.

- Businesses that were required to file a beneficial ownership information report before the injunction are not currently obligated to file any report.
- Monitor developments regarding the ultimate disposition of the preliminary injunction and prepare to comply with the CTA should the potential appeal overturn the injunction.
- Educate the beneficial owners of the business about the CTA's reporting requirements to allow the business to quickly file a beneficial ownership report to meet reporting deadlines if the injunction is overturned.

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