

## Practice Update

# UPDATE: Nationwide Injunction Halts Corporate Transparency Act Enforcement

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On December 3, 2024, the U.S. District Court for the Eastern District of Texas in the case of *Texas Top Cop Shop, Inc., et. al v. Merrick Garland* issued a nationwide preliminary injunction against the enforcement of the Corporate Transparency Act (CTA) and the Financial Crimes Enforcement Network's (FinCEN) final rule implementing the beneficial ownership information (BOI) reporting requirements (Reporting Requirements) under the CTA. The Texas District Court found that Congress likely exceeded its constitutional authority in adopting the CTA. This ruling temporarily enjoins the enforcement of the CTA.

The CTA, which became effective on January 1, 2024, requires certain U.S. domestic and foreign companies registered to do business in the U.S. (Reporting Companies) to report BOI to FinCEN. Companies formed during 2024 had 90 days to comply with the Reporting Requirements, while those formed prior to January 1, 2024, were required to submit its BOI report to FinCEN prior to January 1, 2025.

The Texas District Court ruling suspends, for the time being, Reporting Companies' obligation to submit a BOI report to FinCEN. The Texas District Court's ruling is likely to be appealed by the U.S. Department of Justice, and the preliminary

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injunction could be stayed pending a trial. If a stay is granted, the Reporting Requirements (the 90-day filing deadlines for Reporting Companies formed this year, the year-end filing deadline for Reporting Companies formed prior to January 1, 2024, and the 30-day filing deadline for Reporting Companies formed after December 31, 2024), could remain in effect, subject to the appellate court's ruling.

Given the uncertainty of whether the U.S. Department of Justice will appeal the Texas District Court ruling and if a stay will be granted during the appeal, it is advisable for Reporting Companies to continue to assess and prepare for a BOI report filing if the injunction is stayed. Further, the Texas District Court preliminary injunction does not affect state-level BOI reporting requirements.

If you have any questions about how this ruling affects your specific situation, please don't hesitate to ask your Akerman contact.

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