

ISSUE ALERTS

CORPORATE TRANSPARENCY ACT COMPLIANCE TEMPORARILY SUSPENDED NATIONWIDE

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On December 3, 2024, a United States District Court for the Eastern District of Texas issued a preliminary, nationwide injunction blocking enforcement of the Corporate Transparency Act (“CTA”). As of this publication, reporting companies nationwide are not required to report their beneficial ownership information (“BOI”) and the CTA’s compliance deadline is stayed, including the Jan. 1, 2025, reporting deadline for entities formed prior to 2024. But reporting companies should be alert to changes in their compliance obligations.

In the case of *Texas Top Cop Shop, Inc. v. Merrick Garland, Attorney General of the United States*, Case No. 4:24-cv-478 (E.D. Tex.), the court found, for purposes of considering a preliminary injunction, that the CTA likely exceeded Congress’s authority under the Commerce Clause, the Necessary and Proper Clause, and its taxing power. The court’s decision creates uncertainty regarding compliance obligations under the CTA, which required reporting of BOI to the Financial Crimes Enforcement Network (“FinCEN”). As of the date of this issue alert, FinCEN has not published any statements regarding the injunction.

The ruling is subject to appeal, and the preliminary injunction could be overturned, modified, stayed, or upheld. The federal government is expected to request an expedited appeal, which could lead to changes in enforcement timelines.

Reporting companies in the process of submitting BOI reports could choose to delay filing pending further developments. Notwithstanding the injunction, as of the date of this alert, FinCEN is still accepting and reporting companies may proceed with filing BOI reports. If the preliminary injunction is lifted, overturned, or modified, FinCEN reporting obligations may be reinstated, with or without an extension. Reporting companies should prepare to act swiftly if compliance requirements are reinstated.

FOR MORE INFORMATION

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If you have questions or want more information regarding the temporary suspension of the Corporate Transparency Act and its possible effects on your business entity, contact your legal counsel. If you do not have regular counsel for such matters, Foulston Siefkin LLP would welcome the opportunity to work with you to meet your specific needs. For more information, contact Bill Matthews at 316.291.9556 or bmatthews@foulston.com. For more information on the firm, please visit our website at www.foulston.com.

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