

PUBLICATION

CTA Reporting Suspended Nationwide; FinCEN Responds

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On December 3, 2024, in *Texas Top Cop Shop, Inc., et al. v. Garland, et al.*, Case No. 4:24-cv-478 (E.D. Tex.), the United States District Court for the Eastern District of Texas (the Court) issued a nationwide preliminary injunction halting the enforcement of the Corporate Transparency Act's (CTA) Beneficial Ownership Information (BOI) reporting requirements. This decision temporarily suspends the CTA's BOI filing obligations for all entities across the United States.

Key Details of the Injunction

The plaintiffs in *Texas Top Cop Shop, Inc.*, argued that the CTA's BOI reporting requirements violated constitutional protections, including the Fourth Amendment's prohibition against unlawful searches and seizures. The Court agreed, finding the reporting requirements problematic and issuing an injunction that applies on a national scale.

This means that the Court temporarily blocked enforcement of the CTA and stayed the impending January 1, 2025, compliance deadline, until further action by the United States Court of Appeals for the Fifth Circuit.

FinCEN's Response

The Department of Justice, on behalf of the Department of the Treasury (and FinCEN), filed a Notice of Appeal on December 5, 2024.

In response to the ruling, FinCEN released a statement acknowledging the injunction and clarifying its immediate impact on the CTA's implementation. FinCEN acknowledged it "will comply with the order issued by the U.S. District Court for the Eastern District of Texas for as long as it remains in effect. Therefore, reporting companies are **not** currently required to file their beneficial ownership information with FinCEN and will **not be subject to liability** if they fail to do so while the preliminary injunction remains in effect."¹ FinCEN also stated that it "continues to believe – consistent with the conclusions of the U.S. District Courts for the Eastern District of Virginia and the District of Oregon – that the CTA is constitutional."²

What This Means for You

- **Temporary Suspension of Reporting Requirements:** The nationwide injunction relieves all businesses from the obligation to comply with the CTA's BOI reporting requirements while the injunction remains in effect.
- **Uncertainty Ahead:** The legal and regulatory landscape surrounding the CTA is in flux. While the injunction provides temporary relief, it is unclear how long it will remain in place or whether FinCEN will modify the rules in response to this challenge.
- **"When Will We Know For Sure?":** The short answer: we simply do not know with certainty when we will get an order from the Fifth Circuit and what that order may contain. It is possible that the Fifth Circuit may have an order ready in a week, in a month, or in June 2025 – we really do not know when their response will be forthcoming. If the Fifth Circuit vacates the injunction and allows enforcement of

the CTA, it is possible the Fifth Circuit will impose a new deadline for filing, but the exact time frame for such a deadline is also unclear.

Recommended Next Steps

While enforcement of the CTA's BOI reporting requirements is paused, businesses should remain vigilant and prepared for potential compliance obligations. We recommend the following:

1. **Monitor Developments:** Keep an eye on further court rulings, FinCEN's actions, or legislative responses to this decision. Contact your attorney if you have any questions or see any conflicting information online.
2. **Continue Preparations:** If prior to the issuance of the injunction, you were preparing your business to file a BOI Report then you should continue to collect beneficial ownership information, work with your counsel to determine if exemptions apply, and have all items ready for the filing.
3. **To File or Not to File:** The question of whether to file a BOI report with FinCEN until we have greater clarity, is one for each company to evaluate but it should be noted that the BOI Reporting system remains open. Millions of companies have already filed their BOI reports, including hundreds of thousands since last week's injunction. Having gathered all the information necessary for a filing, a company may decide to file and eliminate the risk of noncompliance. Other companies may wait until we have an answer from the Fifth Circuit. In any event, it is recommended to gather all information for filing and be ready to file as soon as we have more clarity on the future of the CTA.

How We Can Help

Our team is actively monitoring this case and FinCEN's response. We are here to assist you with any questions about the CTA litigation, how it may impact your reporting obligations, and any actions necessary to ensure compliance when enforcement resumes.

If you have questions or concerns regarding this alert, please reach out to [Jake Farrar](#), [Lucas Lopez](#), or any member of Baker Donelson's [Corporate Group](#).

¹ FinCEN, *Alert: Impact of Ongoing Litigation – Deadline Stay – Voluntary Submission Only*, U.S. Dep't of Treasury, <https://www.fincen.gov/boi> (last visited Dec. 10, 2024) (emphasis added);

² *Id.*; see also *Nat'l Small Bus. United v. Yellen*, No. 5:22-cv-01448-LCB (N.D. Ala. Mar. 1, 2024).