

Federal Court Ruling Suspends Enforcement of Corporate Transparency Act Reporting Requirements

Background

On December 3, 2024, a federal district court issued a nationwide preliminary injunction suspending enforcement of the entire Corporate Transparency Act ("CTA") and all of its implementing regulations. See *Texas Top Cop Shop, Inc. v. Garland*, No. 4:24-cv-478 (E.D. Tex.).

The CTA requires "Reporting Companies" doing business in the United States to disclose information about the beneficial owners of these companies (Beneficial Ownership Information, or "BOI") to the Financial Crimes and Enforcement Network ("FinCEN"). The U.S. Treasury estimated these reporting requirements would apply to [tens of millions](#) of small businesses and organizations doing business in the United States.

The definition of Reporting Companies is broad, but there are also a number of exceptions that eliminate the reporting obligations for certain organizations. But where no exception applied and before the injunction went into effect, the CTA required that (1) Reporting Companies formed prior to January 1, 2024, submit their BOI by January 1, 2025; (2) Reporting Companies formed between January 1, 2024, and December 31, 2024, submit their BOI within 90 days after formation; and (3) Reporting Companies formed after January 1, 2025, would submit their BOI within 30 days after formation.

With the nationwide injunction currently in place, FinCEN is not allowed to enforce any part of the CTA or its implementing regulations, including the reporting deadlines outlined above. According to FinCEN's [official response](#) to *Top Cop Shop*,

"reporting companies are not currently required to file beneficial ownership information with FinCEN and are not subject to liability if they fail to do so while the order remains in force."

What does this mean for you?

If you are a Reporting Company, as defined by the CTA, **you no longer have to file Beneficial Ownership Information with FinCEN so long as the injunction is in place.**

If you are exempt from reporting requirements, you do not need to submit anything to FinCEN at this time. If you lose your exemption while the injunction is in place, you do not need to submit anything to FinCEN.

If you have already submitted your BOI with FinCEN, there are no mechanisms currently in place to remove the BOI from the FinCEN database.

Will the injunction be lifted? If so, when?

It is unclear at this time whether and when the injunction will be modified or lifted. It is also unclear if the injunction is lifted, and the reporting requirements are reinstated, how much time Reporting Companies will have to submit their BOI to FinCEN.

On December 5, 2024, the federal government filed a "Notice of Appeal" of the *Top Cop Shop* decision. On December 11, 2024, the federal government filed a "Motion to Stay Injunction Pending Appeal" with the district court, and on December 13, 2024, the federal government filed an

"Emergency Motion for Stay Pending Appeal" with the U.S. Fifth Circuit Court of Appeals. As of December 17, 2024, the Fifth Circuit has denied the federal government's motion in its entirety, and the nationwide injunction remains in place. The district court is still considering the federal government's motion to lift the injunction, but given the Fifth Circuit's denial, it is unlikely the district court will do so. Additionally, the federal government's appeal on the merits is still pending before the Fifth Circuit Court.

What steps should you take now?

You can take the time, while the injunction is in place and while Reporting Companies are not required to file BOI, to assess your organization and its affiliates to determine whether any of your entities qualify for an exemption from reporting obligations. For more guidance on exempt entities, we suggest reviewing Chapter 1 of the [Small Entity Compliance Guide](#) ("Does my company have to report its beneficial owners?").

If you determine that your entities are Reporting Companies that would otherwise be subject to the CTA reporting

obligations if not for the injunction, we recommend that you gather and organize your BOI for each entity. You may even consider completing the [PDF version of the BOI report](#), but **do not upload** the BOI report to FinCEN so long as the injunction is in place. For more guidance on the type of information contained in a BOI submission, we suggest reviewing Chapter 4 of the Small Entity Compliance Guide ("What specific information does my company need to report?").

The entirety of the CTA and its implementing regulations have been enjoined, including the regulations that required FinCEN to safeguard the BOI database. While you may voluntarily submit BOI while the nationwide injunction is in place, we do not recommend you do so at this time.

This is a dynamic situation that also includes pending legislation that could affect deadlines even in the absence of a stay, and it is prudent to consult with your attorneys on developments. Contact Estrella Lucero (elucero@goldfarblipman.com), Jeff Streiffer (jstreiffer@goldfarblipman.com), or any other attorney at Goldfarb & Lipman with any questions.

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