Texas Federal District Court Enjoins Corporate Transparency Act Reporting Nationwide – What's Next?

Dec 06, 2024

Categories:

Corporate Transparency Act Publications

**This article was updated on Dec. 12 in response to new guidance from the Financial Crimes Enforcement Network (FinCEN).*

UPDATE:

FinCEN (the arm of the Treasury Department charged with enforcement of the Corporate Transparency Act) provided guidance late on Friday, December 6th:

"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. Nevertheless, reporting companies may continue to voluntarily submit beneficial ownership information reports."

See Beneficial Ownership Information Reporting | FinCEN.gov

The United States has already appealed the Texas federal district court's preliminary injunction to the Fifth Circuit. The landscape will likely continue to change in the coming weeks and months.

FinCEN's guidance provides some much-needed short-term clarity. However, FinCEN's guidance comes with the caveat "while the preliminary injunction remains in effect." The situation—and whether and how quickly reporting companies need to report—could change quickly. Frost Brown Todd's CTA Task Force will continue to monitor developments and publish updates as needed.

As you may have read, on Tuesday, December 3rd, a federal district judge in Texas issued a nationwide preliminary injunction against enforcement of the Corporate Transparency Act (CTA) and its reporting requirements. *Texas Top Cop Shop, Inc. v. Garland* (Case No. 4:24cv478).The preliminary injunction stays all reporting obligations for all entities indefinitely.

2026 FBT Gibbons LLP. All rights reserved. ADVERTISING MATERIAL.

FBT Gibbons

It is likely—albeit not guaranteed—that the stay will remain in effect beyond the original January 1 reporting deadline for companies formed before 2024. The United States could appeal the decision to the federal Court of Appeals for the Fifth Circuit and seek a stay of the preliminary injunction on an emergency basis. In theory, the Fifth Circuit could act quickly and restore the reporting requirements and upcoming deadline for some or all reporting companies. In our view, it's more likely it will not.

Three other federal district courts have also made preliminary rulings on the CTA. An Alabama district court found the CTA unconstitutional but made its order binding only on the parties to the case. Two other courts found that the CTA would likely pass constitutional muster and therefore denied preliminary injunctions. The Alabama federal case has been appealed to the Eleventh Circuit, which held oral argument in late September. A ruling could be imminent.

Thus far, FinCEN (the Treasury Department agency charged with enforcing CTA) has been silent. And, whatever the current presidential administration decides to do in response to Tuesday's decision, the incoming administration may do something different, including refusing to defend the CTA in court.

In short, it's impossible to offer anything definitive at this time. Nevertheless, in light of the current uncertainty, companies should consider the following:

- Companies that have been anticipating a January 1, 2025 deadline should now evaluate the complexity and current status of their reporting obligations. In particular, how quickly will they be able to resume their CTA filing procedures should beneficial owner reporting be reinstated?
- It is reasonable to adopt a wait-and-see approach so long as companies recognize that there is some risk that they may have to scramble to meet a short filing deadline in the future.
- Companies in the midst of obtaining beneficial ownership information and preparing to report by January 1 might reasonably opt to substantially finish the work involved, rather than risk having to start over. This could be done without

2026 FBT Gibbons LLP. All rights reserved. ADVERTISING MATERIAL.

actually reporting.

- Companies that have already advised their reporting persons to obtain FinCEN IDs may still encourage those individuals to complete their applications. From the reporting company's perspective, having FinCEN IDs for its beneficial owners lessens the ongoing compliance burden, and having them collected and ready in advance will simplify the restart of a filing process should the nationwide injunction be lifted.

For more information or assistance, contact any member of the firm's Corporate Transparency Act Team.

Frost Brown Todd's Corporate Transparency Act Team is staying up to date on the important rule changes that will likely have significant impacts on your business operations. Click below to read the latest information about the Corporate Transparency Act.

- ***Corporate Transparency Act Reporting Deadline Approaching***
- ***What Happens to Your Sensitive Data After It Is Submitted to the Government Under the Corporate Transparency Act?***
- ***Corporate Transparency Act Faces Constitutional Hurdle***
- ***Corporate Transparency Act: Determining Beneficial Owners Based on Entity Ownership (Part III)***
- ***Corporate Transparency Act: Who Can Exert Substantial Influence on My Company? (Part II)***
- ***Corporate Transparency Act: Who Can Exert Substantial Influence on My Company (Part I)?***
- ***Reporting Under the Corporate Transparency Act – Is My Company Exempt?***
- ***FinCEN Announces Proposed Solution to Disclosure Dilemma in the Corporate Transparency Act***
- ***Portfolio Company Reporting Under the Corporate Transparency Act***
- ***The Corporate Transparency Act: Considerations for Effectively Using the FinCEN Identifier***

2026 FBT Gibbons LLP. All rights reserved. ADVERTISING MATERIAL.

FBT Gibbons

- ***The Corporate Transparency Act's Impact on the Real Estate Industry: What You Need to Know to Comply***
- ***The Corporate Transparency Act: Targeting Shell Companies for Money Laundering and Financial Crimes***
- ***Transparency Enters A New Stage – Defense Act Anti-Laundering Provisions Now in Place***

Subscribe to Get CTA Updates

© 2026 FBT Gibbons LLP. May be considered attorney advertising in some jurisdictions.

2026 FBT Gibbons LLP. All rights reserved. ADVERTISING MATERIAL.

FBT Gibbons