Corporate Transparency Act Update: Nationwide Injunction Is in Effect – But from a Different Court

Jan 30, 2025

Categories:

Corporate Transparency Act
Publications

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There have been two recent developments in the courts regarding the Corporate Transparency Act (CTA). As noted below, reporting companies are not currently required to report beneficial ownership information to the Financial Crimes Enforcement Network (FinCEN), but this could change. For now, though, reporting deadlines remain suspended.

On January 23, 2025, the U.S. Supreme Court granted the government's motion to stay the nationwide injunction issued by a federal judge in Texas (*Texas Top Cop Shop, Inc. v. McHenry* —formerly, *Texas Top Cop Shop v. Garland*). As we previously advised, the district court in this case had stayed the enforcement of the beneficial ownership reporting rule, as well as the deadlines for reporting. The Supreme Court stayed the lower court's injunction while the case is on appeal, which would have meant the CTA could be enforced while the case is on appeal if the only injunction in place had been from the *Texas Top Cop Shop* case.

In the meantime, however, a separate nationwide injunction against enforcement of the CTA was issued on January 7, 2025, by a different federal judge in Texas in the case of *Smith v. U.S. Department of the Treasury*. Similar to the court in *Texas Top Cop Shop*, this court stayed the effective date of the beneficial ownership reporting rule while the case is pending.

The U.S. Supreme Court's decision on January 23 only applies to the *Texas Top Cop Shop* order. Consequently, while the injunction issued in the *Smith* case remains in force, **reporting companies are not currently required to file beneficial ownership information with FinCEN**, pending any action by the Supreme Court or the Fifth Circuit. This means that reporting companies are not subject to liability if they fail to file this information while the *Smith* order remains in effect.

Reporting companies may continue to voluntarily submit beneficial ownership information reports to FinCEN while the *Smith* order remains in force. Given the Supreme Court's decision to lift the injunction issued in *Texas Top Cop Shop*, there's a strong possibility it would do so in the *Smith* case if the government applies for such relief. If that happens, we expect FinCEN to reinstate the beneficial ownership reporting requirements. Hopefully, FinCEN will provide additional time for reporting companies to meet their obligations, but this remains to be seen. Pending any further action by the courts, there are no reporting deadlines in place at this time.

For more information or assistance, contact any member of Frost Brown Todd'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.

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