



A Business Law Update

Bodman PLC

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Federal Court Puts Enforcement of the Corporate Transparency Act on Hold

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A federal court in Texas issued a nationwide preliminary injunction on December 3, 2024 that puts enforcement of the Corporate Transparency Act ("CTA") on hold. The CTA requires many companies, in particular small businesses, to report certain beneficial ownership information to the Financial Crimes Enforcement Network ("FinCEN"), a division of the Treasury Department. Prior to the Texas court's order, companies formed on or before January 1, 2024 were required to file these reports with FinCEN by December 31, 2024. The injunction stays enforcement of the CTA and expressly suspends this deadline.

The injunction, issued by the United States District Court for the Eastern District of Texas, is an extraordinary and somewhat controversial measure, and comes just weeks before the CTA's December 31st reporting deadline. The plaintiffs in the Texas case, which include small business owners and a trade association, argue that the CTA overreaches Congress's powers under the Constitution to regulate commerce and infringes on their right to privacy. The Texas court agreed that the CTA was likely unconstitutional but made no definitive ruling. Earlier this year, an Alabama federal judge held that the CTA was unconstitutional, but the ruling and accompanying injunction were limited to the particular plaintiffs in that case, which is on appeal. The Texas ruling, however, applies nationwide.

Bodman is closely monitoring further developments in this case and will provide more information as it becomes available. While the injunction temporarily pauses the CTA's filing requirements, businesses may need to act quickly to comply with reporting deadlines if the injunction is ultimately overturned.

For questions regarding the impact of this decision on your company's CTA reporting obligations, please contact your Bodman attorney or one of the authors, Kelsey Doran (734-930-5688 | kdoran@bodmanlaw.com) or Grace Connolly (313-393-7563 | gconnolly@bodmanlaw.com). Bodman cannot respond to your questions or receive information from you concerning your company's CTA filing obligations without first clearing potential conflicts with other clients. Thank you for your patience and understanding.

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