

Nationwide Injunction Pauses Implementation of the Corporate Transparency Act



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On December 3, 2024, the U.S. District Court for the Eastern District of Texas issued a nationwide preliminary [injunction](#) in *Texas Top Cop Shop, Inc., et al. v. Garland*, enjoining the federal government from enforcing the Corporate Transparency Act (CTA), its implementing regulations, and its reporting deadlines, and finding that Congress exceeded its authority in enacting the law.^[1]

As a result of the decision, reporting companies are not required to comply with the CTA at this time, as the court ordered that “reporting companies need not comply with the CTA’s January 1, 2025, [beneficial ownership information] reporting deadline pending further order of the Court.”^[2]

A FinCEN [alert](#) published after the *Texas Top Cop Shop* injunction states that reporting companies will not be subject to liability if they fail to file a beneficial ownership information report while the preliminary injunction remains in effect. FinCEN also stated that reporting companies may continue to voluntarily submit their reports.

The Department of Justice has appealed. On December 13, 2024, the Department of Justice filed an Emergency Motion for Stay Pending Appeal in the Fifth Circuit.^[3] The government requested an expedited briefing schedule and a ruling “as soon as possible, but in any event no later than December 27, 2024, to ensure that regulated entities can be made aware of their obligation to comply before January 1, 2025.”^[4] The government’s requested briefing schedule could be read to indicate that the government intends to enforce the January 1, 2025 deadline if the stay is granted. Therefore, reporting companies are well-advised to closely monitor developments in the coming days in case the January 1, 2025 deadline for filing is revived. The Fifth Circuit appears to be accommodating the government’s request for a December 27, 2024 ruling; briefing on the Emergency Motion for Stay Pending Appeal is scheduled to be complete by December 19, 2024.^[5]

The constitutionality of the CTA has been challenged in several other courts. The issue is on appeal in a separate case in the 11th Circuit, where a federal district court in Alabama also found the CTA unconstitutional.^[6] However, in two federal district courts in Virginia and Oregon, courts denied preliminary injunctions after finding that the CTA likely is constitutional.^[7] FinCEN’s recent alert states, “[t]he government 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.”

Any decision on the merits may take months or longer, and the matter ultimately may be heard by the Supreme Court. It remains to be seen whether the incoming Trump administration will continue the appeal, but the first Trump administration supported the CTA legislation.

A version of this article was originally produced as a Clients & Friends Memo [here](#).

[1] *Texas Top Cop Shop, Inc. v. Garland*, No. 4:24-CV-478, 2024 WL 4953814 (E.D. Tex. Dec. 3, 2024).

[2] *Id.* at *37.

[3] Emergency Motion for Stay Pending Appeal, *Texas Top Cop Shop, Inc. v. Garland*, No. 24-40792 (5th Cir. Dec. 13, 2024), ECF No. 21.

[4] *Id.* at 2.

[5] Court Directive, *Texas Top Cop Shop, Inc. v. Garland*, No. 24-40792 (5th Cir. Dec. 13, 2024), ECF No. 25.

[6] Notice of Appeal, *Nat'l Small Bus. United v. Yellen*, No. 5:22-CV-1448-LCB (N.D. Ala. Mar. 11, 2024), ECF No. 54.

[7] Notice of Appeal, *Cmty. Associations Inst. v. Yellen*, No. 1:24-CV-1597 (MSN/LRV) (E.D. Va. Nov. 4, 2024), ECF No. 41; Notice of Appeal, *Firestone v. Yellen*, No. 3:24-CV-1034-SI (D. Or. Nov. 18, 2024), ECF No. 19.