

# Clients & Friends Memo

## Nationwide Injunction Pauses Implementation of the Corporate Transparency Act

December 5, 2024

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.<sup>1</sup>

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.”<sup>2</sup>

The constitutionality of the CTA has been challenged in other districts as well. The issue is already on appeal in a separate case in the 11th Circuit, where a federal district court in Alabama also found the CTA unconstitutional.<sup>3</sup> However, in two federal district courts in Virginia and Oregon, courts denied preliminary injunctions after finding that the CTA likely is constitutional.<sup>4</sup>

FinCEN is likely to seek an interlocutory appeal of the injunction and may seek its stay. The incoming Trump administration has not yet commented, but the first Trump administration supported the CTA legislation.

The timing of any reversal is unclear. Any decision on the merits may take months or longer, and the matter ultimately may be heard by the Supreme Court.

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

<sup>2</sup> *Id.* at \*37.

<sup>3</sup> 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.

<sup>4</sup> 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.

FinCEN has not yet issued a public statement regarding the injunction. If the injunction is reversed or its implementation is narrowed or stayed, we expect that new reporting deadlines will be established.

We will continue to monitor developments related to the CTA.

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If you have any questions, please feel free to contact any of the following Cadwalader attorneys.

Jodi Avergun	+1 202 862 2456	jodi.avergun@cwt.com
Christian Larson	+1 202 862 2402	christian.larson@cwt.com
Keyes Gilmer	+1 202 862 2433	keyes.gilmer@cwt.com