

Clients & Friends Memo

The Trump Administration Seeks Enforcement of Corporate Transparency Act, Proposes 30-Day Reporting Deadline Extension

February 8, 2025

As we have previously noted,¹ the Corporate Transparency Act (“CTA”) remains on hold due to a January 7, 2025 order of the U.S. District Court for the Eastern District of Texas, Tyler Division, in *Smith v. U.S. Department of the Treasury*.² That court determined the CTA is likely unconstitutional and enjoined enforcement of the CTA’s implementing regulations, including the requirement to file beneficial ownership reports.

On February 5, 2025, the Department of Justice appealed this order to the Fifth Circuit and requested the district court to stay its order pending the resolution of this appeal.³ The government asserted that a stay was appropriate in light of the Supreme Court’s grant of a similar stay in a different case, *Texas Top Cop Shop, Inc. v. Garland*.⁴

The government’s appeal in *Smith* is notable because it indicates that the new administration supports implementation of the CTA, albeit with potential modifications, discussed below.

The appeal stated that the U.S. Department of Treasury’s Financial Crimes Enforcement Network (“FinCEN”) intends to extend the CTA compliance deadline for 30 days if the stay is granted.⁵ During that period, FinCEN “will assess whether it is appropriate to modify the CTA’s reporting

¹ *Corporate Transparency Act Remains on Hold Despite SCOTUS Stay of Injunction*, Cadwalader Clients & Friends Memo (Jan. 25, 2025), available at <https://www.cadwalader.com/resources/clients-friends-memos/corporate-transparency-act-remains-on-hold-despite-scotus-stay-of-injunction>.

² Memorandum Opinion and Order Granting Motion for Preliminary Relief, *Smith v. U.S. Dep’t of the Treasury*, No. 6:24-cv-336-JDK (E.D. Tex. Jan. 7, 2025), ECF No. 30.

³ Notice of Appeal, *Smith v. U.S. Dep’t of the Treasury*, No. 6:24-cv-336-JDK (E.D. Tex. Feb. 5, 2025), ECF No. 32; Defendants’ Motion for Stay Pending Appeal, *Smith v. U.S. Dep’t of the Treasury*, No. 6:24-cv-336-JDK (E.D. Tex. Feb. 7, 2025), ECF No. 33 [hereinafter Motion for Stay].

⁴ Motion for Stay, *supra* note 3, at 1, 4-6. For the Supreme Court decision, see On Application for Stay, *Garland v. Texas Top Cop Shop, Inc.*, No. 24A653 (Jan. 23, 2025).

⁵ Motion for Stay, *supra* note 3, at 1.

requirements to alleviate the burden on low-risk entities.”⁶ The appeal does not state which types of entities it considers low risk, and does not clarify what modifications FinCEN will consider to the CTA’s reporting requirements.

A FinCEN alert published after the government’s appeal in *Smith* reiterates the agency’s intention to extend the reporting deadline to 30 days after the date the government’s request for a stay is granted, and notes that it will assess options to modify further deadlines for lower-risk entities, “including many U.S. small businesses.”⁷ The same alert notes that reporting companies are not currently required to file beneficial ownership information, but that they may continue to do so voluntarily.⁸

The constitutionality of the CTA remains on appeal in the Eleventh Circuit, where a U.S. district court in Alabama found the CTA unconstitutional, and in *Texas Top Cop Shop* in the Fifth Circuit, where oral argument is scheduled for March 25, 2025.⁹ In Michigan, Oregon, and Virginia, U.S. district courts have denied preliminary injunctions with respect to the CTA.¹⁰

For now, the CTA’s implementing regulations remain unenforceable. We will continue to monitor developments as they occur.

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⁶ *Id.*

⁷ *Beneficial Ownership Information*, FinCEN, available at <https://fincen.gov/boi> (last accessed Feb. 7, 2025).

⁸ *Id.*

⁹ 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; Clerk’s Memorandum, *Texas Top Cop Shop, Inc. v. Garland*, No. 24-40792 (5th Cir. Dec. 26, 2024), ECF No. 165-2.

¹⁰ Case Management Order, *Small Bus. Ass’n. of Mich. v. Yellen*, No. 1:24-cv-314 (W.D. Mich. Apr. 26, 2024), ECF No. 24; Notice of Appeal, *Firestone v. Yellen*, No. 3:24-CV-1034-SI (D. Or. Nov. 18, 2024), ECF No. 19; Notice of Appeal, *Cmty. Associations Inst. v. Yellen*, No. 1:24-CV-1597 (MSN/LRV) (E.D. Va. Nov. 4, 2024), ECF No. 41.