KRIEG DEVAULT

Insights

Hold Your Filings: Preliminary Injunction Placed on Government Enforcement of CTA and Beneficial Ownership Information Reporting Requirements

December 4, 2024

By: Robert A. Greising, Travis D. Lovett, Jacob W. O'Donnell, and Thomas M. Abrams

As of December 3, 2024, all U.S. companies that were subject to the reporting obligations under the Corporate Transparency Act ("CTA") have been temporarily relieved of their obligation to submit beneficial ownership information ("BOI") reports to FinCEN. The U.S. District Court for the Eastern District of Texas, in the case of *Texas Top Cop Shop, Inc., et al. v. Merrick Garland, Attorney General of the United States* (Case No. 4:24-cv-478), issued a nationwide preliminary injunction yesterday blocking the enforcement of the CTA and freeing those subject to the CTA from their obligation to file the required report by January 1, 2025. The court characterized the CTA as a "quasi-Orwellian statute" and, in finding that a preliminary injunction was appropriate, concluded that enforcement of the CTA and its associated reporting requirements would likely rise to an unconstitutional encroachment by the federal government upon the rights of states to regulate corporate entities formed under their laws. Unless and until this injunctive order is reconsidered or successfully appealed, reporting companies need not submit BOI reports and will not face penalties for "failing" to file before the January 1, 2025 deadline.

The government is likely to appeal the preliminary injunction, and typical next steps to make the injunction permanent are also expected. Further developments may be forthcoming yet this year but may get deferred until next year. However, given the arrival of this nationwide order less than one month from the compliance deadline, reporting companies do not need to worry about filing a BOI report before the new year. Krieg DeVault will continue to monitor CTA developments as they occur, from yesterday's case to reported litigation across the country.

If you have any questions regarding the CTA or obligations to comply with the BOI reporting requirements, please contact **Robert A. Greising**, **Travis D. Lovett**, **Jacob W. O' Donnell**, **Thomas M. Abrams**, or any member of our **Business, Acquisitions and Securities Practice**.

Disclaimer. The contents of this article should not be construed as legal advice or a legal opinion on any specific facts or circumstances. The contents are intended for general informational purposes only, and you are urged to consult with counsel concerning your situation and specific legal questions you may have.