

Corporate Transparency Act Update: Reporting Obligations Suspended Again

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This Client Alert provides latest information in what continues to be the most unexciting developing news story any of us has ever followed. As the saying goes, “Don’t shoot the messenger!” Long story short / TLDR (too long didn’t read), the U.S. Court of Appeals for the Fifth Circuit (“Fifth Circuit”) issued an order on December 26, 2024, which **effectively reinstates the preliminary injunction against the enforcement of the Corporate Transparency Act (“CTA”), and once again, it is voluntary for a Reporting Company (as defined by the CTA) to file beneficial ownership information reports (“BOIRs”)** with the U.S. Treasury’s Financial Crimes Enforcement Network (“FinCEN”). As we have mentioned in our prior Client Alerts linked below, this is not a final decision on the constitutionality of the CTA, and businesses should be aware that the reporting deadlines could be reinstated if the most recent order is overturned or a permanent injunction is not awarded on the merits of the Fifth Circuit case mentioned below.

History and Current Status of CTA Enforcement

The CTA took effect on January 1, 2024, imposing an obligation for Reporting Companies to file BOIRs, as we outlined in our original Client Alert.

On December 3, 2024, in *Texas Top Cop Shop, Inc. v. Garland*, the U.S. District Court for the Eastern District of Texas issued a nationwide preliminary injunction against the CTA, which paused the requirement for Reporting Companies to file BOIRs, as we previously reported.

On December 23, 2024, the U.S. Court of Appeals for the Fifth Circuit lifted the preliminary injunction, effectively reinstating the CTA and the obligation for a Reporting Company to file BOIRs. Later the same day, FinCEN published limited extensions to the initial reporting deadlines for many Reporting Companies, which we outlined in our Christmas Eve update.

On December 26, 2024, the Fifth Circuit vacated the order that previously lifted the preliminary injunction in an attempt to maintain the status quo while the Court hears the merits of the *Texas Top Cop Shop* case. ***This means that, once again, there is a nationwide preliminary injunction against the CTA, and Reporting Companies have no obligation to file initial or updated BOIRs by the updated deadlines provided by FinCEN in its guidance from December 23, 2024, although they may still elect to file voluntarily.***

What Now?

In short, the CTA is unenforceable at the moment. Reporting companies and their individual beneficial owners and company applicants (if applicable) are not obligated to submit BOIRs or otherwise comply with the CTA. Likewise, businesses that have already submitted an initial BOIR, and individuals who have obtained FinCEN IDs, are not obligated to update any information previously provided under the CTA.

However, given the current split among the District Courts on the constitutionality of the CTA, it is

uncertain whether the CTA will ultimately be upheld. It seems likely that the issue will appear before the Supreme Court, where the CTA's fate will be decided.

In the interim, businesses are left somewhat in limbo as it is unclear how long the preliminary injunction will remain in effect. While the decision may serve as a reprieve for many business owners, the preliminary injunction is only temporary.

Given the uncertainty surrounding the CTA, it is up to each business to decide whether to continue compliance efforts with the CTA. At this time, obtaining a FinCEN ID or submitting a BOIR is entirely voluntary. However, the conservative approach is to assume the CTA will eventually be enforced and, at minimum, identify individual beneficial owners and company applicants (if applicable) and gather all the information that will need to be included in any BOIRs. Business owners should remain diligent and be prepared to file in the event the injunction is overturned or the CTA is deemed constitutional. In that case, Reporting Companies may need to move swiftly to make the required filings before the deadlines in place at that time.

Please contact the Seigfreid Bingham Corporate Law Practice Group or your regular Seigfreid Bingham contact with any questions.

This article is general in nature and does not constitute legal advice. The authors of this article are members of Seigfreid Bingham's Corporate Law Practice Group and Corporate Transparency Act Task Force and routinely represent clients in corporate structuring and other general business matters. If you or your organization have questions about the impact of these developments, please contact John Fuchs, Rachel Sterbenz, Emily Crane, Nida Rais, or Tate Thompson at 816.421.4460.