



Client Alerts

The Corporate Transparency Act Is Still on Hold

December 30, 2024 | (Time to read: 3 minutes)

Late December 2024 Update: Appeals Court Back and Forth

This Client Alert updates our [Client Alert](#) issued in early December 2024.

Despite a flurry of appellate activity during the week of December 23, enforcement of the federal Corporate Transparency Act (“CTA”) and its related reporting requirements continues to be suspended. On December 23, 2024, a three-judge panel of the U.S. Fifth Circuit Court of Appeals granted a stay of the December 3, 2024, preliminary injunction issued by the U.S. District Court for the Eastern District of Texas, only to have that stay vacated by a different three-judge panel of the Fifth Circuit on December 26, 2024.

Background—The Law and the Injunction

The CTA requires most private entities to report identifying and ownership information to the Financial Crimes Enforcement Network, a bureau of the U.S. Department of the Treasury (“FinCEN”). It was enacted to assist the U.S. government in combating illegal activity, such as money laundering, tax evasion, and the financing of terrorism. The CTA became law in January 2021 and took effect in January 2024.

Although now on hold, the CTA and its related reporting rules require entities deemed to be “Reporting Companies” to file a Beneficial Ownership Information Report by January 1, 2025, if they were formed before 2024, within 90 days after formation if formed in 2024, and within 30 days after formation if formed in 2025 or later.

While there have been numerous legal challenges to the CTA and its reporting requirements, none of those claims previously resulted in a bar to its enforcement. That changed on December 3, 2024, when the U.S. District Court for the Eastern District of Texas issued a nationwide preliminary injunction halting the enforcement of the CTA and its reporting requirements.

Late December Appellate Actions

On December 23, 2024, the motions panel of the U.S. Fifth Circuit Court of Appeals granted the government’s emergency motion for a stay of the preliminary injunction. The stay allowed FinCEN to resume enforcement of the CTA and its reporting requirements. FinCEN initially updated its website on December 24 to announce the stay and reinstate compliance and reporting requirements—generally with an extension until January 13, 2025, 21 days after the stay was granted.

On December 26, however, the merits panel of the Fifth Circuit vacated the motions panel’s stay “in order to preserve the constitutional status quo while the merits panel considers the parties’ weighty substantive arguments.” The effect of the December 26 order is to reinstate the December 3 preliminary injunction and suspend enforcement of the CTA and its reporting requirements. On December 27, FinCEN further updated its website to include an alert acknowledging that “as of December 26, 2024, the injunction issued by the district court in *Texas Top Cop Shop, Inc. v. Garland* is in effect and reporting companies are not currently required to file beneficial ownership information with FinCEN.” FinCEN added that Reporting Companies under the CTA may still file Beneficial Ownership Information Report voluntarily.

What is Next?

The back and forth in the federal courts adds to the uncertainty regarding the CTA and its future enforceability. Appellate briefs are due to the Fifth Circuit in February 2025, and we do not expect any decision on the appeal to be announced until late February or March at the earliest. If the CTA and its reporting requirements are reinstated, FinCEN may move relatively quickly to reinstate enforcement of reporting obligations.

Restated Recommendations

In our [early December 2024 Client Alert](#), we included general recommendations, which we believe still make sense for any entity that may be a Reporting Company.

- **Stay informed** and monitor any updates on the injunction, including new information posted by FinCEN.
- **Consult your legal advisors** to help you understand the impact of the injunction and how future developments may impact you.
- **Consider the pros and cons of voluntary compliance.** Should you consider voluntary filing or wait for a new FinCEN deadline? Or will the reporting requirements go away permanently?

Whether the CTA and its related reporting obligations will be reinstated remains uncertain, especially with a new administration taking office in January. Reporting Companies will need to remain alert for changes and be prepared to act quickly if needed.

Additional Information

This Client Alert is provided for your general information. We are not undertaking any obligation to update you if the CTA reporting requirements are reinstated, modified, or terminated. We encourage you to contact your legal advisors. In that regard, if you have any questions, would like more information, or would like to discuss further, please do not hesitate to contact any of our [Corporate attorneys](#).

Related People

- Randall G. Ray
- Lawrence B. Mandala
- Steven A. Fleckman
- Jessica M. McGlynn