



# 3 Things Employers Need to Know About the Recent Corporate Transparency Act Injunction

Insights

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A federal court in Texas just issued a nationwide preliminary injunction that halts the government from enforcing the Corporate Transparency Act (CTA), just weeks before covered businesses would have been required to turn over business ownership information to financial crimes oversight officials. The December 3 ruling in *Texas Top Cop Shop, Inc. et al. v. Garland* temporarily suspended not only the CTA's requirements but also the accompanying BOI Reporting Rule, handing businesses a timely victory. What are three key points you need to know about this ruling and its implications for compliance?

**[Ed. Note: After an appeals court overturned this decision and set a new January 13 deadline, another appeals court panel reversed course and once again blocked the CTA's reporting obligations. [You can read about these developments here.](#)]**

## Quick CTA Background

Congress passed the CTA three years ago as a way to stop corporate shell companies from engaging in improper financial schemes. As its core, it aimed to require covered businesses to file disclosures with the U.S. Financial Crimes Enforcement Network (FinCEN) to specifically identify who owns or control the business (directly or indirectly). By January 1, 2025 – just weeks from now – over 32 million preexisting businesses would have had to file these “beneficial ownership” disclosures (while some had already started the process and provided the disclosures).

### 1. The Ruling Has Nationwide Impact

Judge Amos L. Mazzant, from the Eastern District of Texas, granted a preliminary injunction against the CTA's enforcement on December 3. The ruling concludes that the CTA oversteps Congress's authority under the Commerce Clause, as it does not regulate channels, instrumentalities, or activities substantially affecting interstate commerce. The judge also said the law cannot be justified under the Necessary and Proper Clause as it is not sufficiently connected to any enumerated congressional power.

The court's decision, supported by reasoning from a similar case earlier this year from an Alabama federal court, places a nationwide injunction against enforcement of the CTA and the BOI Reporting Rule. The court ruled that a nationwide injunction was proper because the co-plaintiffs in the case,

the National Federation of Independent Business, represents hundreds of thousands of member business from across the country.

## **2. Compliance Deadlines and Enforcement Are on Hold – For Now**

The injunction pauses all enforcement of the CTA's reporting requirements, including the January 1 deadline for "preexisting" entities formed before January 1, 2024. However, companies otherwise covered by the law should remain vigilant for two key reasons:

- The federal government may appeal the ruling to the Fifth Circuit or seek some other emergency relief, and there is a chance that another court could reverse the injunction and breathe life back into the law.
- Any stay of the injunction by higher courts could reinstate the CTA's reporting requirements on short notice – potentially immediately.

It is possible that FinCen may issue further guidance or adjust compliance timelines depending on further legal developments. You should closely monitor [FinCen's CTA-specific website](#) for any such announcement.

## **3. Prepare for Uncertainty in CTA Enforcement**

Entities subject to the CTA should stay proactive despite the injunction:

- Monitor legal updates and assess their potential obligations under the BOI Reporting Rule.
- Remain prepared for compliance should the rule become enforceable again.

While the nationwide injunction bans enforcement of the law for now, it is possible the injunction could be reversed on short notice. Employers should continue to make reasonable efforts to ensure that they are ready to comply by the January 1, 2025 deadline if that happens.

## **What's Next?**

The nationwide injunction has created significant uncertainty about the CTA's future. The validity of the law may ultimately depend on appellate court decisions or a Supreme Court review. Fisher Phillips will continue to monitor the process and provide updates when available.

For more information or assistance with compliance, contact your Fisher Phillips attorney, the author of this Insight, or any attorney in our [Government Relations Practice Group](#). Make sure to sign up for [Fisher Phillips Insights](#) to stay up to speed on the latest developments.

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