

27 DECEMBER 2024

Federal Court Reimposes Suspension of Corporate Transparency Act Reporting Obligations

In a rapid reversal that caps off a tumultuous week for the Corporate Transparency Act (CTA), a panel of judges on the U.S. Court of Appeals for the Fifth Circuit has temporarily reinstated a nationwide injunction that prevents the U.S. Department of Treasury's Financial Crimes Enforcement Network (FinCEN) from enforcing the CTA or its implementing federal regulations. This decision comes just three days after a different panel of that same court lifted the stay and reimposed the CTA.

As a result, companies are, once again, not required to comply with FinCEN's reporting deadlines, pending appeal.

In a decision late on Thursday, December 26, the Fifth Circuit's "merits" panel vacated the "motions" panel's decision that had reimposed the CTA's deadlines. The merits panel reasoned that this action would "preserve the constitutional *status quo*" while it considered the constitutionality of the CTA on appeal.

To recap the chronology:

1. December 3 — A judge in the U.S. District Court for the Eastern District of Texas issues a preliminary injunction staying the CTA on the basis that it is likely unconstitutional.
2. December 23 — The Fifth Circuit's motions panel overturns the preliminary injunction, reimposing the CTA and its reporting deadlines. FinCEN then extends the CTA reporting deadline to January 13, 2025.
3. December 26 — A separate merits panel of the Fifth Circuit vacates the motions panel's December 23 decision while considering the arguments.

The constitutionality of the CTA and the propriety of the district court's nationwide injunction will now be determined by the Fifth Circuit. It appears unlikely we will see resolution before the end of Q1 2025: the court has imposed an "expedited" briefing schedule that will be complete by February 28, 2025, with oral arguments to follow on March 25, 2025.

At face value, this decision means that companies are — for the second time this month — no longer obligated to file Beneficial Ownership Information (BOI) reports under the CTA. However, given the fluidity of the situation, including the possibility of a rehearing *en banc* and further appeals, we understand some companies may wish to complete any ongoing analysis and filings in case the nationwide stay is lifted yet again.

If you have any questions about the matters addressed in this *Kirkland Alert*, please contact the following Kirkland attorneys or your regular Kirkland contact.

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