

05 DECEMBER 2024

Federal Court Suspends Reporting Obligations Under the Corporate Transparency Act

Earlier this week, the U.S. District Court for the Eastern District of Texas issued a nationwide preliminary injunction that enjoins the U.S. Treasury's Financial Crimes Enforcement Network (FinCEN) from enforcing the Corporate Transparency Act (CTA) or its implementing federal regulations until further notice. As a reminder, the CTA requires reporting of beneficial ownership information for certain entities that are not exempt from the CTA. The CTA has required reporting for non-exempt entities formed earlier in 2024. Non-exempt entities formed prior to 2024 were due to report by the end of this year.

According to the district court, **“reporting companies need not comply with the CTA’s January 1, 2025, [beneficial ownership information] reporting deadline pending further order of the Court.”**

We read the court’s order to apply equally to non-exempt companies formed in 2024 that had an upcoming 90-day reporting deadline, as well as to non-exempt companies that will be formed in 2025 and would have had a 30-day reporting deadline.

The district court’s decision is not a final determination that the CTA is unconstitutional; rather, it represents the court’s finding that the law is likely unconstitutional, and that — in the court’s judgment — continued enforcement of the CTA should be stayed until a final decision on its constitutionality can be rendered. While several other federal courts have previously considered the constitutionality of the CTA and reached varied results, this is the first time a court has issued a nationwide injunction against the law. In his written opinion, Judge Amos L. Mazzant III, characterizing the CTA as a “flanking, quasi-Orwellian statute,” ruled that Congress likely overstepped its constitutional power to regulate interstate commerce when it enacted the law. The ruling could be appealed to the U.S. Court of Appeals for the Fifth Circuit Court, which has recently issued a number of rulings striking down new federal regulations.

Judging by past practice, we expect FinCEN will post a press release shortly with its own view on the ruling and confirming its expectations regarding the year-end deadline.

In the meantime, companies that have already invested significant time and resources evaluating their entities for exemptions from the CTA, and/or determining who constitutes a reportable beneficial owner under the CTA, may wish to complete any ongoing analysis given the uncertainty of the outcome of the litigation and timing of further rulings or appeals. While the district court’s order stays the CTA’s reporting requirements, if that stay is later lifted, reporting entities will need to move swiftly to make required filings. In the event the stay is lifted, we expect a new filing deadline to be informally established either by the court or by FinCEN; this deadline could be as short as 30 days. We assess that no further action is required nor advised for entities that have already submitted CTA filings, and we read the nationwide stay to suspend any obligation to submit update filings for such entities.

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

[Nick Niles](#)

nick.niles@kirkland.com

[Scott A. Moehrke, P.C.](#)

scott.moehrke@kirkland.com

[David L. Selinger](#)

david.selinger@kirkland.com

[John C. O’Quinn, P.C.](#)

john.oquinn@kirkland.com

[W. Neil Eggleston](#)

neil.eggleston@kirkland.com

[Jason Klein](#)

jason.klein@kirkland.com

This communication is distributed with the understanding that the author, publisher and distributor of this communication are not rendering legal, accounting, or other professional advice or opinions on specific facts or matters and, accordingly, assume no liability whatsoever in connection with its use. Pursuant to applicable rules of professional conduct, this communication may constitute Attorney Advertising.