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## Corporate Transparency Act Update: Federal Court in Texas Issues Nationwide Preliminary Injunction Prohibiting Enforcement of the CTA

by Ken Witt and Rick Lieberman

On December 3, 2024, the U.S. District Court for the Eastern District of Texas issued a [preliminary injunction](#) prohibiting enforcement of the Corporate Transparency Act (“CTA”) and associated regulations by the Treasury Department’s Financial Crimes Enforcement Network.

In *Texas Top Cop Shop, Inc. et al. v. Garland et al.*, No. 4:24-cv-478-ALM (E.D. Tex.; 12/24), the court ruled that the plaintiffs met the requirements for a preliminary injunction, including demonstrating that “the CTA is likely unconstitutional as outside Congress’ power.” The court granted the plaintiff’s motion for a preliminary injunction:

Therefore, the CTA, 31 U.S.C. § 5336 is hereby enjoined. Enforcement of the Reporting Rule, 31 C.F.R. 1010.380 is also hereby enjoined, and the compliance deadline is stayed under § 705 of the APA. Neither may be enforced, and reporting companies need not comply with the CTA’s January 1, 2025, BOI reporting deadline pending further order of the Court.

Note that the court’s injunction is nationwide and is not limited to the plaintiffs in the case. By contrast, on March 1, 2024, the Federal District Court for the Northern District of Alabama entered an order declaring the CTA unconstitutional and permanently enjoining the government from enforcing the CTA against only the named plaintiffs in that case<sup>1</sup>.

Although the court specifically addresses its stay to only the year-end filing deadline for companies formed prior to 2024, the scope of the injunction would appear to preclude enforcement of any of the filing requirements of the CTA. For example, the 90-day filing deadline for companies formed in 2024 also appears to be stayed, pending further action of the court.

This ruling is a preliminary injunction and further proceedings, including any appeal by the Justice Department, could affect this order. We will keep you informed of any future developments.

For now, while companies do not need to file reports under the CTA, it is advisable to continue to evaluate the applicability of the CTA and, if not exempt from reporting, to gather the necessary beneficial ownership information. In that way, reporting companies will be prepared to submit reports in the future, in the event that the injunction and stay are lifted or modified.

Kutak Rock is here to help clients navigate the CTA, and if you have any questions about the CTA or this Client Alert, please contact your Kutak Rock attorney or any member of the [CTA Client Service Team](#) listed on the left. You may also visit us at [kutakrock.com](http://kutakrock.com).

<sup>1</sup> *Nat’l Small Bus. United v. Yellen*, No. 5:22-cv-01448-LCB, 2024 WL 899372 (N.D. Ala. Mar. 1, 2024).

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