

## Services

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# Corporate Transparency Act Update: Government Reacts to *Smith* Grant of Preliminary Relief

Those suffering from motion sickness may wish to skip this client alert. Otherwise, feel free to read on.

As we discussed in our January 24, 2025, [client alert](#), the Corporate Transparency Act (“CTA”) reporting deadlines have remained on hold due to nationwide preliminary relief granted in the *Smith et al. v. United States Department of the Treasury, et al.* (“*Smith*”) case. As a result of the preliminary relief granted in *Smith*, at the present time any CTA filing requirements are voluntary.

On February 5, 2025, the United States Department of Justice (“DOJ”) filed a [notice of appeal](#) and a [motion](#) seeking a stay of such preliminary relief, or at a minimum, a modification of the injunction so it applies only to the *Smith* plaintiffs, pending that appeal.

In the motion, the DOJ made clear the future intentions of the United States Department of the Treasury’s Financial Crimes Enforcement Network (“FinCEN”) regarding the CTA. Significantly, it indicated:

- If the stay of the preliminary relief is granted (i.e., CTA reporting enforcement is allowed), FinCEN would extend the reporting compliance deadline under the CTA for 30 days.
- During this 30-day period, FinCEN intends to “assess whether it is appropriate to modify the CTA’s reporting requirements to alleviate the burden on low-risk entities while prioritizing enforcement to address the most significant risks to U.S. national security. Staying the grant of preliminary relief will help facilitate that process.”

FinCEN has echoed those views in an updated alert currently available on its [Beneficial Ownership Information homepage](#).

The 30-day extended filing period is notably longer than the 15-day period FinCEN adopted in December 2024 when the Fifth Circuit Court of Appeals first stayed the preliminary injunction in the *Texas Top Cop Shop, Inc. v. McHenry* litigation. However, it remains unclear how the 30-day extension of compliance deadlines relates to companies for which the statutory compliance deadline has already passed by more than 30 days, or whether such 30-day extension should be read as a 30-day moratorium on enforcement, effectively giving companies a 30-day period in which to come into compliance, irrespective of their original deadline.

Perhaps the biggest takeaway, however, is FinCEN’s suggestion that the CTA may be overly burdensome on certain segments of the over 30 million reporting companies in the United States. The “who” and the “what” of determining what constitutes a “low-risk” entity remains to be seen. In addition, amending any CTA regulations likely would need to comply with the notice, hearing and rule-making requirements under the Administrative Procedure Act, calling into question what happens at the end of the 30-day extension.

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Again, as of today, companies are not required to file BOI Reports under the CTA; compliance is voluntary. This leaves many wondering: How long will that last? If it doesn't last, will my company be a "low-risk" entity for which the rules may be changed (and, if so, when will such changes take effect)? Great questions. We do not have answers at this point. We will, however, continue to provide updates as information becomes available.

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, one of the authors of this Client Alert, or any member of the [CTA Client Service Team](#) listed on the left.

