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Breaking News: Federal Court Judge in Texas Blocks Enforcement of the Corporate Transparency Act Nationwide

Fay L. Szakal

Greenbaum, Rowe, Smith & Davis LLP Client Alert

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What You Need to Know

- On December 3, 2024, a U.S. District Court Judge in the Eastern District of Texas granted a preliminary injunction **enjoining the nationwide enforcement** of the Corporate Transparency Act (CTA) and its implementing regulations.
- Reporting entities should note that while this injunction remains in effect, there will be **no requirement to comply with the CTA**.
- That said, it should also be noted that this injunction, which comes with less than one month to go before the January 1, 2025, CTA compliance deadline, is only **preliminary and not permanent**. The courts must still decide the ultimate constitutionality of the CTA.

On December 3, 2024, U.S. District Court Judge Amos Mazzant, sitting in the Eastern District of Texas, granted a preliminary injunction enjoining enforcement of the Corporate Transparency Act (CTA) and its implementing regulations **nationwide**.

The preliminary injunction arose out a motion filed by six plaintiffs, including three private businesses, one individual CEO of a reporting entity, one political organization that is classified as a reporting entity, and the National Federation of Independent Business (NFIB), a nonprofit organization representing its 300,000 business members.

In its ruling, the Court found that the plaintiffs had demonstrated a “substantial likelihood” that their claims that the CTA is unconstitutional would prevail under full judicial scrutiny. Judge Mazzant opined that the

Attorneys

Fay L. Szakal

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plaintiffs will have been irreparably harmed by the expenditure of time, resources, and money on compliance, and by the violation of their constitutional rights.

The plaintiffs' arguments regarding unconstitutionality will likely succeed on the merits because neither the Commerce Clause or the Necessary and Proper Clause within the U.S. Constitution authorize Congress to impose the CTA.

Where Things Stand Now

Reporting entities nationwide may rely on this injunction if choosing *not* to report pursuant to the CTA. **As long as the injunction remains in effect, there is no requirement to comply with the CTA.**

This injunction is only *preliminary* and not permanent. The courts must still decide the ultimate constitutionality of the CTA. However, if this ruling stands, including through any appeals, we anticipate that FinCEN will issue information on the destruction of the current database of CTA reports.

We will be closely monitoring all developments regarding this case and will provide more details as they become available. Please contact the author of this Alert with any questions regarding the Corporate Transparency Act or the effects of this ruling.

Fay L. Szakal

Partner, Corporate, Healthcare and Real Estate Departments

fszakal@greenbaumlaw.com

732.476.3204