

CAPABILITIES

Corporate & Transactional

CORPORATE TRANSPARENCY ACT UPDATE - EFFECT OF RECENT COURT ACTION

Advisory

12.18.24

The Corporate Transparency Act (together with its implementing regulations, "CTA") is a federal law that became effective at the beginning of this year. The CTA imposes new reporting duties on most companies and their owners. You can learn more about the CTA here: **FinCEN BOI Webpage**. You can find our prior briefings on the CTA here: **HWH CTA Client Briefing December 2023** and here: **HWH CTA Client Briefing November 2024**.

On December 3, 2024, a United States District Court in Texas temporarily enjoined enforcement of the CTA and stayed the January 1, 2025 reporting deadline for companies formed prior to 2024. It determined that the preliminary injunction should apply nationwide.

The court concluded that plaintiffs had shown a substantial likelihood of success on the merits with respect to their claim that the CTA facially violates the federalism principle enshrined in the Tenth Amendment to the U.S. Constitution.

On December 5, 2024, the Department of Justice, on behalf of the Department of the Treasury, filed a notice of appeal. The Department of Justice is also seeking a stay of the preliminary injunction pending appeal. If the stay is granted, the CTA could once again become enforceable while the appeal is pending.

On December 9, 2024, FinCEN released a statement on its website acknowledging that in light of the preliminary injunction, reporting companies are not currently required to file beneficial ownership information ("BOI") reports with FinCEN and are not subject to liability if they fail to do so while the injunction remains in force. However, a reporting company may choose to voluntarily submit beneficial ownership information reports during this time.

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If the preliminary injunction is stayed or overturned, it is uncertain how much, if any, additional time reporting companies will be provided to submit BOI reports that would have been due in the absence of the injunction. Therefore, reporting companies that have not yet filed their initial BOI reports, and those that have changes to report since their initial filing, should continue the process of gathering relevant information for their BOI reports, and be ready to file on short notice. Reporting companies should also monitor the developments in the Texas case and others related to the CTA.

Most companies will find that the process of filing BOI reports is relatively straightforward. **Hill Ward Henderson will not file any BOI report on behalf of a reporting company unless and until we have been engaged to do so in writing.** If you require assistance with filing a report or determining whether an exemption from reporting may apply, please do not hesitate to reach out to your contact at the firm or email ctacompliance@hwlaw.com.