

FEDERAL COURT BLOCKS CORPORATE TRANSPARENCY ACT: LANDMARK RULING HALTS CTA REPORTING REQUIREMENTS, INCLUDING JANUARY 1, 2025 REPORTING DEADLINE

Posted on December 4, 2024 by Capes Sokol



Tags: [Corporate Transparency Act](#), [CTA](#)



On December 3, 2024, [the United States District Court for the Eastern District of Texas](#) enjoined [the Corporate Transparency Act \(the "CTA"\)](#) and [the Reporting Rule implementing the CTA \(the "December 2024 Order"\)](#).

The December 2024 Order may reverse course for an estimated 32.6 million existing business entities that otherwise were required to disclose their beneficial owners to the Treasury Department's Financial Crimes Enforcement Network ("FinCEN").

Pending Appeal, the CTA is Currently No Longer in Effect.

The implementation of the CTA, which became effective at the beginning of 2024, has not been without fight. [As we previously discussed](#), [a prior Federal Court ruling](#) made the CTA inapplicable to the plaintiffs in that case, namely, the National Small Business Association (NSBA), and its members.

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Just 27 days from the January 1, 2025, deadline, the December 2024 Order has made the CTA ineffective for all reporting companies (or would-be filers), at least for the time-being, pending appeal.

In the December 2024 Order, the Court stated that, "The CTA is likely unconstitutional as outside of Congress's power," but it did not expressly rule on the issue of constitutionality. In enjoining the CTA, its enforcement, and its compliance deadline, the Court did, however, explicitly state that, "reporting companies need not comply with the CTA's January 1, 2025, BOI reporting deadline pending further order of the Court."

As with the Northern District of Alabama ruling on March 1, 2024, it is a near certainty that FinCEN will appeal this decision to the Fifth Circuit Court of Appeals, and perhaps ultimately to the U.S. Supreme Court. If the December 2024 Order is reversed, reporting companies may need to comply quickly with CTA filing requirements. Alternatively, the CTA may be declared unconstitutional.

What Should Business Entities Do Now?

- Entities that *have not yet filed* a BOI Report do not need to comply with the CTA's filing deadlines (namely, January 1, 2025, for entities formed prior to January 1, 2024, or 90 days after formation, for entities formed on or after January 1, 2024). However, they need to be prepared to file a BOI Report if the government successfully appeals the December 2024 Order. Reporting companies with complex ownership structures, in particular, may want proceed with preparing and filing their BOI Reports, despite the December 2024 Order.
- Entities that *have filed* a BOI Report do not need to take any action. Until we know the outcome of an appeal of the December 2024 Order, such reporting companies do not need to comply with the CTA's on-going requirements to provide updated BOI Reports.
- Reporting companies should keep a close eye for additional updates on this evolving topic.

Stay informed and prepared for any developments regarding the Corporate Transparency Act. Visit Capes Sokol's [Corporate Transparency Act Resources](#) for comprehensive updates, insights, and guidance on navigating these legal changes.

Capes Sokol CTA Blog Resources

[Corporate Transparency Trap: Spotting Red Flags to Avoid CTA Scams](#)

[Court rules that the CTA is Unconstitutional: Enforcement of the CTA in Limbo](#)

[BREAKING: U.S. Department of Treasury Announces Change to Reporting Deadline for Companies Formed in 2024](#)

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