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U.S. District Court Enjoins Enforcement of the Corporate Transparency Act

December 4, 2024

On December 3, 2024, the United States District Court for the Eastern District of Texas issued a nationwide injunction against enforcement of the Corporate Transparency Act (the "CTA"). The CTA requires a range of entities, primarily smaller, otherwise unregulated companies, to file a report with the U.S. Department of the Treasury's Financial Crimes Enforcement Network ("FinCEN") identifying the entities' beneficial owners—the persons who ultimately own or control the company—and provide similar identifying information about the persons who formed the entity. The CTA also authorizes FinCEN to disclose this information to authorized government authorities and to financial institutions in certain circumstances.

In his opinion, Judge Amos Mazzant of the United States District Court for the Eastern District of Texas states that the CTA "represents a Federal attempt to monitor companies created under state law—a matter our federalist system has left almost exclusively to the several States" and appears likely to be found unconstitutional. The Court found that without an injunction, compliance with the CTA will "almost certainly" cause "substantial, incompensable monetary costs and constitutional harm" to the plaintiffs. The Court determined that an injunction was warranted and should apply nationwide. As a result, reporting companies are not required to comply with the CTA's reporting deadlines pending further order of the Court.

The Department of the Treasury and U.S. Attorney General are likely to appeal this order immediately. The reviewing court may lift the injunction even if the CTA ultimately gets invalidated. Reporting companies would be required to comply with the CTA as soon as the injunction is lifted should this occur. Accordingly, reporting companies who may decide not to file in light of the injunction should closely monitor the progress of this case.

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