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It’s Baaack! Fifth Circuit Reinstates the Corporate Transparency Act Deadlines

December 23, 2024

On December 23, 2024, the Fifth Circuit of the United States Court of Appeals (the “Fifth Circuit”) issued an order that has the effect of reinstituting the deadlines under the Corporate Transparency Act (the (“CTA”). On December 3, 2024, the United States District Court for the Eastern District of Texas issued a nationwide injunction against enforcement of 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. The Fifth Circuit’s order grants a temporary stay of the district court’s order and injunction pending appeal.

The Fifth Circuit was of the view that “the government has made a strong showing that it is likely to succeed on the merits in defending CTA’s constitutionality” and therefore the nationwide injunction was unwarranted. The Fifth Circuit did note the plaintiffs’ assertion that lifting the stay days before the compliance deadline would be unduly burdensome. The court did not seem to have sympathy for this position stating that the reporting deadlines under the CTA have been in effect for almost a year while the injunction only in place for approximately three weeks.

FinCEN has recognized that the timing of the order lifting the injunction may be particularly burdensome and has extended the reporting deadlines. **Accordingly, reporting companies created prior to January 1, 2024, that are not eligible for an exemption, are required to file beneficial ownership reports by January 13, 2025 (and not January 1, 2025).** We continue to closely monitor the progress of this case.

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