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Ping Pong Rules: Corporate Transparency Act Back in Effect (Again)

February 20, 2025

On February 18, 2025, U.S. District Judge Jeremy Kernodle of the Eastern District of Texas stayed his prior injunction against enforcement of the Corporate Transparency Act (the "CTA") pending appeal by the U.S. Department of Justice. That injunction had remained in effect despite the ruling by the U.S. Supreme Court that the federal government may enforce the CTA with respect to an injunction issued by a different court in the same U.S. District in Texas.

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.

Judge Kernodle had ruled that the CTA was unconstitutional and granted an injunction against its enforcement because it regulated entities formed under State law. He has now agreed to lift the injunction against enforcement of the CTA after the new administration indicated it would reevaluate the effects of the regulation on lower-risk entities.

FinCEN has announced that it would extend the CTA deadlines for most companies until March 21, 2025. FinCEN will also review its options to modify additional deadlines further, prioritizing reporting for those entities that pose the most significant national security risks. Finally, FinCEN indicated that it intends to revise the Beneficial Ownership Information Reporting rule to reduce the burden on lower-risk entities.

As a result, the current state of play means that for most reporting companies, the deadline for any reports that would otherwise have been required to be filed during the period when the stay was in effect will be extended to March 21, 2025, which is 30 days after February 19, 2025, the date FinCEN's announcement was posted to its website.

FinCEN further indicated that for reporting companies that were previously given a reporting deadline later than March 21, 2025, their reports would be due by the later deadline. FinCEN cited disaster relief extensions implemented in 2024 as an example of a deadline that could extend into April 2025. Although not expressly stated by FinCEN, based on this "later of" FinCEN guidance, reporting companies created in the last ten days of December 2024 would be entitled to the previously applicable 90-day period to file initial reports, giving those reporting companies a few extra days to file.

We continue to closely monitor the progress of this and other cases related to the CTA.

Related Professionals

- **Jeffrey A. Horwitz**
  Partner
- **Yuval Tal**
  Partner
- **Robert H. Sutton**
  Partner
- **Seetha Ramachandran**
  Partner
- **Elanit Snow**
  Senior Counsel
- **Martine Seiden Agatston**
  Partner