

Client Alert: Temporary Suspension of Enforcement of the Corporate Transparency Act Requirements

Insights

December 9, 2024

We wish to inform you of a significant development regarding the Corporate Transparency Act (CTA) that may impact your reporting obligations. Please read the following update carefully and consider how it may affect your business operations.

Background on the CTA

For background information regarding the CTA, see our prior alerts [describing the CTA](#) and [reminding reporting companies to file by year end](#).

Recent Court Order and Its Implications

On December 3, 2024, a federal district court in the Eastern District of Texas issued a **nationwide preliminary injunction** in the case of *Texas Top Cop Shop, Inc., et al. v. Garland, et al.*, No. 4:24-cv-00478. This order has the following immediate effects:

- **Enjoins the CTA:** The enforcement of the CTA and the regulations implementing its reporting requirements are currently halted.
- **Stays Compliance Deadlines:** All deadlines for reporting companies to comply with the CTA's beneficial ownership information reporting requirements are suspended.

The Department of Justice, on behalf of the Department of the Treasury, filed a Notice of Appeal on December 5, 2024, indicating the government's intention to

challenge the injunction. You can read FinCEN's alert on its [BOI website](#).

Current Status for Reporting Companies

In compliance with the court's order, the Financial Crimes Enforcement Network (FinCEN) will not enforce the CTA's reporting requirements for the duration of the injunction. Consequently, **reporting companies are not required to file beneficial ownership information (initial reports or amendments) with FinCEN at this time and will not face liability for non-compliance while the injunction is in effect.**

Voluntary Submission of Information

Despite the injunction, reporting companies retain the option to **voluntarily submit beneficial ownership information reports** to FinCEN. This may be a consideration for businesses that wish to refrain from staying informed with the latest developments regarding FinCEN's appeal.

Ongoing Litigation

It is important to note that Texas Top Cop Shop is one of several cases challenging the CTA. While some district courts have denied injunctions and upheld the CTA, the legal landscape remains fluid. The government maintains that the CTA is constitutional, as supported by rulings from the U.S. District Courts for the Eastern District of Virginia and the District of Oregon.

Next Steps

FinCEN **has not** extended the compliance date or provided assurance it will not immediately enforce the CTA in the event the injunction is overturned. We recommend that all reporting companies stay informed of developments in this matter and be prepared to comply with the CTA's requirements should the injunction be lifted. Gunderson Dettmer is closely monitoring the situation and is available to assist you with understanding the implications for your business and planning your next steps.

For further information or to discuss how this may specifically affect your company, please do not hesitate to contact a member of your Gunderson Dettmer team.

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