

CTA Alert: Texas Court Puts the Brakes on the Nationwide Enforcement of the Corporate Transparency Act

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December 5, 2024

On December 3, 2024, in *Texas Top Cop Shop, Inc., et al. v. Garland, et al.* (Case No. 4:24-cv-478-ALM), the U.S. District Court for the Eastern District of Texas issued a preliminary nationwide injunction against the enforcement of the Corporate Transparency Act (CTA) and its implementing regulations.

As discussed in previous [advisories](#), reporting companies formed before January 1, 2024 were required to file their beneficial ownership report before January 1, 2025 and reporting companies formed after January 1, 2024 were subject to 90-day filing deadlines from the date of formation. Reporting companies who previously filed reports with FinCEN had ongoing obligations to report changes in beneficial ownership information. *Texas Top Cop*, in effect, halts all such reporting obligations, at least temporarily.

One individual and five entities, including the National Federation of Independent Business with over 300,000 members nationwide, challenged the CTA on multiple grounds, including intrusion upon states' rights and Fourth Amendment violations for compelling the disclosure of private information. Judge Mazzant acknowledged the CTA's admirable ends but forcefully rejected arguments by the U.S. Government that the Commerce Clause and the Necessary and Proper Clause of the U.S. Constitution authorized the CTA. Holding that the "the CTA is likely unconstitutional as outside of Congress's power", the Court concluded that the plaintiffs fulfilled their burden to show a "substantial likelihood of success" on the merits of their Tenth Amendment challenge to the legislation and imposed an injunction against the CTA's enforcement.

It is important to note that the nationwide injunction imposed in this case is not a final judgment and could be lifted, which would reinstate the obligation of reporting companies to comply with the CTA. There is also further uncertainty about the survival of the CTA given the change of leadership in Washington, D.C. come January 2025. To the extent the temporary injunction is lifted it is unclear whether the filing deadlines would be extended. As of this writing, FinCEN had not issued a statement on the injunction.

Kelley Drye attorneys are continuing to monitor developments in this case and others which impact CTA compliance obligations.