

# Texas Court Halts Enforcement of the Corporate Transparency Act

Legal Alert  
December 10, 2024

On December 3, 2024, U.S. District Judge Amos Mazzant of the Eastern District of Texas preliminarily enjoined the Corporate Transparency Act (“CTA”), 31 U.S.C. § 5336, nationwide and stayed the reporting deadline of January 1, 2025 imposed by the BOI Reporting Rule, 31 C.F.R. § 1010.380, for beneficial ownership information.

The CTA, which went into effect on January 1, 2024, requires the vast majority of U.S. companies to report beneficial ownership information to the Financial Crimes Enforcement Network or FinCEN. The CTA’s intent was to combat illicit activity relating to U.S. businesses.

A preliminary ruling does not definitively decide an issue. Rather it only determines that the parties challenging the new law are likely to succeed on their claims. Here, the court found that the CTA appears unconstitutional, as it is a “drastic two-fold departure from history” with an attempt by the federal government to monitor companies created under state law and to end a state-created feature of entity formation, anonymity. The court concluded that neither the Constitution’s Commerce Clause nor its Necessary and Proper Clause provided Congress the power to enact the CTA.

## Looking Forward

The US Department of Justice filed an appeal on December 5th. A ruling on the appeal will likely occur after the January 1st deadline for reporting companies formed or registered to do business in the U.S. before January 1, 2024. However, a stay of the injunction may come on short notice in December. If companies so choose, they can withhold filing their beneficial ownership information, but continue preparations, so that if or when the injunction is stayed or appealed, they will be able to timely file. If companies prefer to file anyway, they should still be

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able to file.

The attorneys at Foster Garvey will continue to monitor and provide updates as the reporting deadline approaches. If you have questions about CTA's requirements or need guidance on your corporation's compliance program, please contact Foster Garvey's [Business and Corporate Finance](#) team.