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## Legal Insights — Alert

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### Corporate Transparency Act Preliminarily Blocked Nationwide

On December 3, 2024, the Corporate Transparency Act (CTA) and its Implementing Regulations (Reporting Rule), which require non-exempt business entities to report beneficial owner information to the Financial Crimes Enforcement Network (FinCEN), a bureau of the U.S. Treasury Department, were preliminarily blocked nationwide by a Texas federal court.

Judge Amos L. Mazzant of the U.S. District Court for the Eastern District of Texas, Sherman Division, issued the injunction at the request of the plaintiffs in [Texas Top Cop Shop Inc. v. Garland](#). The plaintiffs in this lawsuit seek to enjoin the government from enforcing the CTA and its Reporting Rule arguing, among other things, that they intrude upon States' rights, exceed Congress' authority to regulate interstate and foreign commerce, and are, therefore, unconstitutional.

In a 79-page Memorandum Opinion and Order, Judge Mazzant ruled:

The CTA is likely unconstitutional as outside of Congress' power. Because the Reporting Rule implements the CTA, it is likely unconstitutional for the same reasons. . . [T]he Court GRANTS Plaintiff's Motion for a Preliminary Injunction. Therefore, the CTA... is hereby enjoined. Enforcement of the Reporting Rule... is also hereby enjoined, and the compliance deadline is stayed... Neither may be enforced, and reporting companies need not comply with the CTA's January 1, 2025, BOI reporting deadline pending further order of the Court.

For now, based on this Memorandum Opinion and Order, BOIR filings with FinCEN under the CTA need not be made. Unfortunately, this may not be the end of this case, a permanent resolution of the constitutionality of the CTA and its Reporting Rule, or the last word on the requirement to make BOIR filings.

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If you have questions concerning any of the items discussed above, please contact your attorney at Nicola, Gudbranson & Cooper, 216.621.7227.

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