BERGER SINGERMAN
FLORIDA'S BUSINESS LAW FIRM

CLIENT ALERT: NAVIGATING CORPORATE TRANSPARENCY ACT COMPLIANCE AMID LEGAL CHALLENGE

December 6, 2024

The recent issuance of a nationwide preliminary injunction against the enforcement of the Corporate Transparency Act (CTA) and the final rule implementing the CTA by Judge Mazzant of the U.S. District Court for the Eastern District of Texas in Texas Top Cop Shop, Inc. v. Garland, E.D. Tex., No. 4:24-cv-00478, 12/3/24, has caused uncertainty for businesses striving to comply with its new reporting requirements. This case challenges the constitutionality of the CTA on multiple grounds.

The key takeaways from the court's Memorandum Opinion and Order are: (i) the court granted a nationwide preliminary injunction, halting the enforcement of the CTA and the final rule implementing the CTA, and staying the compliance deadline previously set for January 1, 2025 with respect to all persons and entities, not just parties to the litigation; (ii) the court found that the plaintiffs have a substantial likelihood of success on their claim that the CTA exceeds Congress's authority under the Commerce Clause and the Necessary and Proper Clause; and (iii) as a result of the court's grant of the preliminary injunction, businesses are not currently required to comply with the CTA reporting requirements while the injunction remains in effect. However, the court's preliminary injunction against the enforcement of the CTA is temporary, and subsequent legal proceedings or appeals could reinstate these obligations.

For companies already working with us on CTA compliance, the injunction creates a pause, but not an end, to preparations. Continued attention to these new developments remains critical in the following ways: (i) while the compliance deadline is currently stayed, higher courts could reverse the injunction, requiring swift action to meet reporting obligations; and (ii) companies that continue preparation may avoid last-minute challenges if the injunction is lifted.

Our recommendations are as follows:

1. For companies already engaged in the CTA compliance process, continue moving forward with the documentation process to maintain or finalize records on beneficial ownership information. This ensures you can quickly comply with any reinstated deadlines.
2. For companies that already engaged professionals that are well past the preliminary stages of gathering CTA data and are ready to file, proceed to file CTA reports with FINCEN notwithstanding the recent injunction.
3. For companies that decide to adopt a 'pencils down' approach and not proceed with filing CTA reports, continue monitoring legal developments because the CTA's legal trajectory could shift quickly.

Our attorneys at Berger Singerman are well-versed in CTA compliance and can provide guidance on navigating these changes, ensuring your compliance efforts are efficient, effective, and aligned with best practices. Please reach out to our CTA Task Force at info@bergersingerman.com with any questions or for further assistance as we navigate this evolving regulatory landscape together.

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