



Corporate Transparency Act Blocked by Nationwide Injunction Weeks Before Deadline

J.V. Anderton, Amanda J. Dernovshek and Nicholas J. Stock

Foster Swift Business & Tax Law News E-blast

December 5, 2024

With only weeks remaining before a key filing deadline, the U.S. District Court for the Eastern District of Texas granted a landmark ruling that brings immediate relief to small businesses across the nation.

The decision in *Texas Top Cop Shop, Inc., et al. v. Garland, et al.* now puts the future of the Corporate Transparency Act (CTA) up in the air. With this decision, which was issued on December 3, 2024 by Judge Amos L. Mazzant III, small businesses nationwide are no longer obligated to comply with burdensome reporting rules—at least for now.

The case was filed by the National Federation of Independent Business (NFIB) and other plaintiffs against what they described as an unconstitutional overreach that would unduly burden small businesses. The CTA required an estimated 32.6 million businesses to report sensitive personal information about their owners to FinCEN, which is a division of the U.S. Treasury.

The plaintiffs contended that the CTA exceeded the constitutional grant of authority to Congress, because it imposed federal regulation on corporate persons traditionally subject to state law. The plaintiffs also said that the Act violated First Amendment free speech protections by compelling speech, and that it invaded Fourth Amendment rights of privacy by forcing businesses to disclose personal information.

The Court issued a nationwide preliminary injunction against enforcement of the CTA, finding constitutional defects in the law. In the short-term, this ruling provides businesses with temporary relief from the upcoming January 1, 2025 filing deadline.

What does this decision mean for small businesses going forward?

AUTHORS/ CONTRIBUTORS

James F. Anderton, V

Amanda J. Dernovshek

Robert A. Hamor

Nicholas M. Oertel

Nicholas J. Stock II

PRACTICE AREAS

Business Law

Cybersecurity and Data Privacy

Deal Team - Mergers & Acquisitions

Entity Selection, Organization & Planning

Family Owned Businesses

Small Business

Tax Law

Technology Law



For starters, the decision protects privacy by halting the extensive data collection mandated by the CTA. Compliance with the CTA would have imposed additional costs on small businesses, with many already facing rising operational expenses. With this decision, small businesses are now spared from the immediate burden of preparing for the January 2025 filing deadline.

Ultimately, the future of the CTA is not certain. Enforcement of the Act was stayed, pending appeals, though the decision could later be reversed or otherwise modified by an appellate court. Foster Swift's CTA Working Group will continue to keep a close eye on ongoing litigation and administrative developments which may affect businesses' obligations under the Act. Please reach out to a member of our CTA Working Group with any questions.