

Texas Federal District Court Enjoins Enforcement of Corporate Transparency Act and Implementing Reporting Rule Nationwide

December 6, 2024

On December 3, 2024, the U.S. District Court for the Eastern District of Texas issued a nationwide preliminary injunction temporarily enjoining the Corporate Transparency Act (CTA), 31 U.S.C. §5336 and its implementing Reporting Rule, 31 C.F.R. 1010.380. The court also stayed the January 1, 2025 compliance deadline:

Having determined that Plaintiffs have carried their burden, the Court **GRANTS** Plaintiff's Motion for a Preliminary Injunction. Therefore, the CTA, 31 U.S.C § 5336 is hereby enjoined. Enforcement of the Reporting Rule, 31 C.F.R. 1010.380 is also hereby enjoined, and the compliance deadline is stayed under § 705 of the APA. 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.

Texas Top Cop Shop, Inc. v. Merrick Garland, Civil Action No. 4:24-CV-478 (p. 79 of the Memorandum Opinion and Order).

The court determined that the CTA and the Reporting Rule are "likely unconstitutional as outside Congress's power" and that a "nationwide injunction is appropriate in this case." (*Id.* pp. 75, 79).

In issuing the preliminary injunction, the court found that the plaintiffs met their burden for a preliminary injunction, including that (i) the CTA and the Reporting Rule pose a substantial threat of irreparable harm to plaintiffs, (ii) the plaintiffs have a substantial likelihood of success on the merits, (iii) the threatened injury outweighs any damage the injunction might cause the Government, and (iv) the injunction will not harm the public interest.

The defendants filed a notice of appeal to the U.S. Court of Appeals for the Fifth Circuit on December 5, 2024.

The court's preliminary injunction is not permanent, is now subject to the notice of appeal, and may be subject to further judicial proceedings or legislative developments.

If you have questions about your CTA-related engagement with the firm, please contact your Miller Canfield lawyer for further guidance.