

IMPORTANT NEWS-PRELIMINARY INJUNCTION AGAINST ENFORCEMENT OF BENEFICIAL OWNER INFORMATION REPORTING

On December 3, 2024, a Judge of the US District Court for the Eastern District of Texas issued a nationwide preliminary injunction against the enforcement of the Corporate Transparency Act (CTA). The CTA was enacted as part of broader anti-money laundering efforts and took effect on January 1, 2024.

Judge Amos Mazzant noted that corporate regulation has traditionally fallen within the states' jurisdiction. Among other things, the court found that the CTA burdens businesses with significant compliance costs without clearly defined safeguards against misuse of collected data.

The plaintiffs in the case (including small business owners and the National Federation of Independent Business) raised concerns about privacy violations under the Fourth Amendment due to the extensive personal information required.

The court's ruling specifically determined that the preliminary injunction applies nationwide.

What does this mean for business owners?

A large number of businesses have already filed their initial BOI reports, either because they were required to because of the 90-day filing deadline for newly-formed businesses, or because the deadline to file for all other businesses of January 1, 2025 was fast approaching. Businesses which have already filed should not do anything further until a final decision is reached in the case. This includes filing any updated reports.

For those businesses which have not yet filed an initial BOI Report, efforts to prepare and file such report can be suspended for now until a final decision is reached in the case, which may not happen for some time.

Because this is a preliminary, not final, decision, business owners should be on alert for future updates in the case to ensure they remain compliant. This is particularly true if the injunction is overturned in the future and enforcement of the CTA is reinstated. If the injunction is overturned on appeal, businesses may need to act quickly to meet their reporting deadlines.

If you have any questions regarding this ruling and its impact on your business, do not hesitate to contact us.

