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## CTA PLACED ON HOLD BY TEXAS COURT

We previously reported on the enactment and effect of the Corporate Transparency Act (“CTA”) in a prior Client Memorandum “Understanding the Corporate Transparency Act.” The CTA, effective in January of 2024, required certain information regarding ownership of corporations, some of it personal, to be reported for inclusion in a database to be maintained by the Financial Crimes Enforcement Network (“FinCen”).

As was expected shortly after enactment of the CTA, business interests challenged the CTA in court. In April of 2024, the United States District Court for the Northern District of Alabama in *National Small Business Association v. Yellen* ruled the CTA was unconstitutional. The decision, however, was limited to the particular case and did not prevent enforcement nationwide. That changed, however, on December 3, 2024, when the United States District Court for the Eastern District of Texas in *Texas Top Cop Shop, Inc. v. Garland* issued a preliminary injunction that suspended enforcement of the CTA nation-wide on the basis the CTA was likely to be found unconstitutional.

The injunction is temporary and will remain in place until dissolved or made permanent once trial has been completed in the pending lawsuit. For now, as a result of the injunction, FinCen has announced that the companies that were to submit reports to FinCen could continue to do so voluntarily but if the reports were not filed, the company would not be subject to liability for failure to file the report.

If you are a company that is required to report under the CTA (i.e., any entity created by the filing of a document with a secretary of state or similar office under a state law or the law of a foreign country), you can opt to file now if you wish, but if not, you have a reprieve.

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