

## MEMORANDUM

**Date:** December 17, 2024

**RE: COURT HALTS ENFORCEMENT OF CORPORATE TRANSPARENCY ACT AND SUMMARY OF SUBSEQUENT DEVELOPMENTS**

- **Preliminary Injunction Issued:** On December 3, 2024, a federal district court in Texas issued a preliminary injunction that applied nationwide, temporarily halting the implementation of the Corporate Transparency Act (CTA).
- **Department of Justice Appeal:** On December 5, 2024, the Department of Justice (DOJ) appealed the ruling December 5 to the Fifth Circuit.
- **DOJ's Motion for Stay:** On December 11, 2024, the DOJ filed a motion in the Texas district court requesting an immediate stay of the preliminary injunction, indicating it would promptly seek relief from the Fifth Circuit if the district court did not respond to its motion in one to two days after it was filed.
- **FinCEN's Position:** The Financial Crimes Enforcement Network (FinCEN) confirmed that reporting companies had no obligation to comply with the CTA “for as long as [the injunction] remains in effect.” If the stay is granted, the January 1, 2025, deadline would technically be back on, unless extended by the appellate court order or FinCEN. Agencies typically provide a grace period in such situations.

### Recent Developments

- **DOJ's Argument for Stay:** The DOJ argued it would be “irreparably harmed” absent an immediate stay because:
  - The injunction disrupts compliance at a critical juncture where filings were increasing exponentially as the year-end initial filing deadline neared.
  - The injunction has created widespread confusion among the public.

**Timing of the Motion:** The DOJ waited eight days to file its request for a stay, which is unusual as such motions are typically filed immediately after a court ruling.

**District Court's Response:** On December 12, 2024, the district court declined to rule on the DOJ's motion within the requested timeline, ordering the DOJ to respond by noon CT on Monday, December 16, 2024. The court noted that the DOJ's motion did not meet several procedural requirements of an “emergency motion.”

**Next Steps:** The Texas district court is likely to deny the DOJ's motion to stay the injunction early next week, possibly by late Monday or Tuesday. The DOJ indicated it would file a similar motion with the Fifth Circuit by December 13, 2024, seeking expedited briefing.

### **Implications for Reporting Companies**

- **Potential for Grace Period:** If the stay is granted, the January 1 deadline would be reinstated unless extended by the appellate court or FinCEN. Typically, agencies have provided grace periods to avoid confusion and allow for orderly implementation of the law. However, FinCEN has not yet indicated any plans to delay the compliance deadline or issue guidance on enforcement discretion.
- **Preparation for Compliance:** Given the uncertainty, reporting companies should be prepared to file quickly if the injunction is lifted with little to no grace period. Companies may also choose to voluntarily file at any time.

### **Our Recommendations**

- **Stay Informed:** Continuously monitor updates from FinCEN and relevant authorities regarding the status of the CTA and any potential stays or grace periods.
- **Prepare for Compliance:** Ensure all beneficial ownership information is accurate and up-to-date, and be ready to submit the required information promptly if the injunction is lifted and the CTA is reinstated.
- **Consult Legal Counsel:** Engage with legal and compliance professionals to navigate the complexities of the CTA and stay prepared for any changes in compliance obligations.

We will continue to provide updates regarding any further developments as they arise.

Should you have any questions about the impact of the Texas district court ruling, stay, DOJ appeal and motion, or related concerns, please contact [Jeff Rambach](#) or your Practus, LLP attorney.

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