

Alert | Financial Regulatory & Compliance



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CTA UPDATE: Enforcement Remains Suspended Despite U.S. Supreme Court Granting Stay of Preliminary Injunction

Go-To Guide:

- On Jan. 23, 2025, the U.S. Supreme Court granted the U.S. government’s request for a stay of the nationwide preliminary injunction of the CTA issued in *Texas Top Cop Shop, Inc. v. McHenry*.
- The Supreme Court was not asked to address an injunction issued by another federal judge, which ordered preliminary relief to prevent CTA enforcement on Jan. 7, 2025 (*Smith v. U.S. Department of the Treasury*).
- FinCEN confirmed that reporting companies under the CTA rulemaking are not currently required to file BOI reports and are not subject to liability if they fail to do so while the *Smith* order remains in force.
- Given the rapidly changing landscape, reporting companies under the CTA rulemaking should continue to monitor CTA developments so they can be prepared to file Beneficial Ownership Information (BOI) reports if the injunction is once again stayed, lifted, or otherwise made ineffective (e.g., via FinCEN reversing its position).

On Jan. 23, 2025, the U.S. Supreme Court granted the U.S. government's request for a stay (SCOTUS Order) of the nationwide preliminary injunction of the Corporate Transparency Act (CTA) issued by the U.S. District Court for the Eastern District of Texas in *Texas Top Cop Shop, Inc. v. McHenry*.¹ According to the brief order, the stay remains in effect pending disposition of the appeal before the Fifth Circuit and subsequent disposition of a petition for a writ of certiorari, if any.

Oral arguments for the expedited Fifth Circuit appeal are scheduled for March 25, 2025.

Background

The status of the CTA has shifted multiple times since Dec. 3, 2024, when a Texas district court in *Texas Top Cop Shop, Inc. v. McHenry* (formerly *Texas Top Cop Shop, Inc. v. Garland*), **preliminarily enjoined the CTA** and its BOI reporting rule (Reporting Rule) on a nationwide basis, approximately four weeks ahead of a key Jan. 1, 2025, deadline. As we previously reported, the U.S. Department of the Treasury's Financial Crimes Enforcement Network (FinCEN) appealed that ruling, and on Dec. 23, 2024, a motions panel of the U.S. Court of Appeal for the Fifth Circuit **stayed the injunction**, allowing the CTA to go back into effect.

Three days following the stay, on Dec. 26, 2024, a different Fifth Circuit panel issued an order to vacate the motion panel's stay, effectively **reinstating the nationwide preliminary injunction** against the CTA and the Reporting Rule. On Dec. 31, 2024, the U.S. government filed an emergency application with the Supreme Court to stay the preliminary injunction once again.

On Jan. 7, 2025, another federal judge of the U.S. District Court for the Eastern District of Texas ordered preliminary relief barring CTA enforcement in *Smith v. U.S. Department of the Treasury*.² To date, the government has not appealed the ruling in *Smith*.

The SCOTUS Order

In response to the SCOTUS Order, FinCEN updated its website on Jan. 24, 2024, noting:

As a separate nationwide order issued by a different federal judge in Texas (*Smith v. U.S. Department of the Treasury*) still remains in place, **reporting companies are not currently required to file beneficial ownership information with FinCEN despite the Supreme Court's action in Texas Top Cop Shop** [emphasis added]. Reporting companies also are not subject to liability if they fail to file this information while the *Smith* order remains in force. However, reporting companies may continue to voluntarily submit beneficial ownership information reports.

Takeaways

No filings under the CTA are currently required by law, including the initial BOI reports that reporting companies formed or registered prior to 2024 would otherwise have been required to file by Jan. 13, 2025, pursuant to an extension that FinCEN granted on Dec. 27, 2024.

While enforcement of the CTA remains suspended, reporting companies and affected individuals should continue to monitor CTA developments and consider what steps they may need to take to be prepared to

¹ *McHenry v. Texas Top Cop Shop, Inc.*, No. 24A653, 2025 WL 272062 (U.S. Jan. 23, 2025).

² See *Smith v. United States Dep't of the Treasury*, No. 6:24-CV-336-JDK, 2025 WL 41924 (E.D. Tex. Jan. 7, 2025).

file their BOI reports in short order if the injunction is once again stayed, lifted, or otherwise made ineffective.

For additional information regarding the CTA and its reporting requirements, visit GT's [CTA Task Force](#) page.

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