

Federal District Court Enjoins Enforcement of Corporate Transparency Act Beneficial Ownership Information Reporting Requirements Nationwide

December 5, 2024

On Tuesday, December 3, 2024, the US District Court for the Eastern District of Texas issued an order in favor of the plaintiffs in *Texas Cop Shop, Inc. et al. v. Garland et al.*, granting the plaintiffs' motion for preliminary injunction against enforcement of the beneficial ownership information (BOI) reporting requirements established by the Corporate Transparency Act (CTA).

The court's order blocks the US Department of the Treasury and the Financial Crimes Enforcement Network (FinCEN) from enforcing the CTA and the BOI reporting requirements established by rule pending further order of the court. Importantly, unlike a district court order <u>issued</u> by a <u>federal court in Alabama earlier in 2024</u>, the *Texas Cop Shop* order applies nationwide, to all reporting companies, and not just to the plaintiffs in the case.

Pursuant to the CTA and the BOI reporting rule, unless exempt, any company formed in the US, or any foreign company that registers to do business in the US, by filing a document with a secretary of state or similar office is a covered "reporting company" that must submit information to FinCEN about the company and its beneficial owners (as defined by the CTA and by rule). Many companies formed or registered in the US in 2024 had already been subject to the CTA because of the 90-day reporting requirement for companies formed or registered in 2024.

However, for companies formed or registered in the US on or before December 31, 2023, the rule requires initial reports to be filed no later than January 1, 2025, as discussed further in this September 2024 Cooley alert. Therefore, but for the court's order, many companies would have needed to submit their filings in the next few weeks if they had not done so already.

The government filed a notice of appeal of the court's decision on December 6, 2024, and the ultimate outcome of the legislation remains to be seen. Nevertheless, pending any further developments, companies subject to the January 1, 2025, deadline are not required to file their initial BOI reports at this time. Similarly, companies that have already filed initial BOI reports are not, at this time, required to file updated reports reflecting changes to previously reported information. That said, the court's order is a preliminary injunction based on a finding that the CTA and the reporting rule are "*likely* unconstitutional" (emphasis in original), and the ultimate outcome of the litigation remains to be seen. If the order is lifted, reporting companies may once again be required to file and/or update reports.

Covered entities should continue to monitor for updates or additional guidance.

This communication and any related article, webinar or presentation provides general information about the CTA. These communications do not constitute legal advice, and we encourage you to consult with an attorney for advice tailored to your specific situation.

Please note that Cooley provides advice related to CTA compliance only to current clients of the firm – and only when we are expressly asked and agree to do so in writing.

These communications do not create an attorney-client relationship between Cooley and you or your company, or create any duties to provide advice with respect to the CTA. Cooley is not responsible for updating you or your company about developments regarding the CTA, including with regard to this preliminary injunction.

This content is provided for general informational purposes only, and your access or use of the content does not create an attorney-client relationship between you or your organization and Cooley LLP, Cooley (UK) LLP, or any other affiliated practice or entity (collectively referred to as "Cooley"). By accessing this content, you agree

that the information provided does not constitute legal or other professional advice. This content is not a substitute for obtaining legal advice from a qualified attorney licensed in your jurisdiction, and you should not act or refrain from acting based on this content. This content may be changed without notice. It is not guaranteed to be complete, correct or up to date, and it may not reflect the most current legal developments. Prior results do not guarantee a similar outcome. Do not send any confidential information to Cooley, as we do not have any duty to keep any information you provide to us confidential. When advising companies, our attorney-client relationship is with the company, not with any individual. This content may have been generated with the assistance of artificial intelligence (AI) in accordance with our AI Principles, may be considered Attorney Advertising and is subject to our <u>legal notices</u>.

Key Contacts

Adam Fleisher	afleisher@cooley.com
Washington, DC	+1 202 776 2027
Stacey Song New York	stacey.song@cooley.com
Jasmine A. Banks	jbanks@cooley.com
Washington, DC	+1 202 360 6565

This information is a general description of the law; it is not intended to provide specific legal advice nor is it intended to create an attorney-client relationship with Cooley LLP. Before taking any action on this information you should seek professional counsel.

Copyright © 2023 Cooley LLP, 3175 Hanover Street, Palo Alto, CA 94304; Cooley (UK) LLP, 22 Bishopsgate, London, UK EC2N 4BQ. Permission is granted to make and redistribute, without charge, copies of this entire document provided that such copies are complete and unaltered and identify Cooley LLP as the author. All other rights reserved.