

## Follow the Bouncing Ball: 5th Circuit Reinstates CTA Injunction

December 30, 2024

In a back and forth match between the United States Financial Crimes Enforcement Network (FinCEN) and certain other agencies of the federal government (the Government) on one side and the National Federation of Independent Business and certain other plaintiffs (the Plaintiffs) on the other, the U.S. Court of Appeals for the Fifth Circuit has reinstated a nationwide injunction blocking enforcement of the Corporate Transparency Act (CTA).

As discussed in our 2023 [Overview of the Corporate Transparency Act](#), the CTA was enacted by Congress in 2021 to combat money laundering and illicit financial activities by requiring most smaller companies to file beneficial ownership information (BOI) reports with FinCEN, disclosing, among other things, the identities of natural persons who own more than 25% of the reporting company.

The Plaintiffs brought suit in the Eastern District of Texas arguing that the CTA is unconstitutional. As discussed in our recent [Client Alert](#), the district court entered a preliminary injunction on December 3, 2024, halting enforcement of the CTA nationwide. The injunction was based on the district court's assessment that the CTA likely exceeds Congress's authority under the U.S. Constitution.

The Government promptly appealed, and on December 23, 2024, a Fifth Circuit motions panel stayed the district court's injunction pending an expedited appeal, allowing FinCEN to at least temporarily enforce the CTA's reporting obligations. The motions panel determined that the Government demonstrated a "strong showing that it is likely to succeed on the merits in defending CTA's constitutionality."

On December 26, 2024, however, the Fifth Circuit's merits panel issued an order vacating the stay and reinstating the preliminary injunction. The Fifth Circuit has scheduled oral argument for March 25, 2025, following expedited briefing by the parties.

FinCEN has issued an alert recognizing that the injunction remains in place for now: *"reporting companies are not currently required to file beneficial ownership information with FinCEN and are not subject to liability if they fail to do so while the order remains in force. However, reporting companies may continue to voluntarily submit beneficial ownership information reports."*

We believe that the obligation to file BOI reports under the CTA will be suspended at least until the Fifth Circuit hears oral argument on March 25; however, we encourage companies to continue to consult legal counsel regarding their obligations under the CTA and stay tuned for more developments.

