

The Corporate Transparency Act Returns: What This Means for Your Compliance

February 20, 2025

A major legal development has cleared the way for enforcement of the Corporate Transparency Act (CTA). On February 18, 2025, Judge Jeremy Kernodle of the U.S. District Court for the Eastern District of Texas granted the Government's motion to stay his January 7, 2025, order in *Smith v. U.S. Department of the Treasury* that had halted CTA enforcement. Judge Kernodle's new order in *Smith* stays the effect of his original January 7 order pending the Government's appeal of that order. Combined with a recent Supreme Court stay in a parallel case, this new order **puts CTA reporting requirements back into effect for most companies, albeit with a deadline extension to March 21, 2025**. 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. It requires most smaller companies to file beneficial ownership information (BOI) reports with the Financial Crimes Enforcement Network (FinCEN), disclosing, among other things, the identities of natural persons who own or control at least 25% of the reporting company. In today's Client Alert, we provide a brief overview of the CTA's legal challenges and discuss how businesses should respond to recent developments.

Supreme Court Ruling on January 23, 2025

On December 3, 2024, Judge Amos Mazzant of the Eastern District of Texas issued a nationwide preliminary injunction enjoining the enforcement of the CTA (*Texas Top Cop Shop, Inc. v. McHenry—formerly, Texas Top Cop Shop v. Garland*). The Government promptly sought relief in the U.S. Supreme Court on December 31, 2024, and, on January 23, 2025, the Supreme Court stayed the *Texas Top Cop* nationwide injunction that had halted enforcement of the CTA, pending the appeal of that injunction; however, this Supreme Court ruling did not settle the issue of the CTA's immediate enforceability due to another challenge brewing in a different Texas federal district court.

The Second Texas Injunction

In *Smith*, Judge Kernodle issued a separate nationwide stay of CTA enforcement on January 7, 2025, finding the CTA likely unconstitutional. On February 5, 2025, the Government filed a motion for stay of that nationwide order pending appeal, which requested that the *Smith* stay be lifted in light of the Supreme Court's January 23 order lifting the *Texas Top Cop* injunction. Judge Kernodle granted the Government's request to stay his own preliminary order on February 17, 2025, allowing FinCEN to resume enforcement of the CTA, pending appeal.

Upcoming Challenges to the CTA

Although the two nationwide orders halting the CTA's enforcement have been lifted pending the appeals of those orders, challenges to the CTA still loom on the horizon. In the *Texas Top Cop* case, oral arguments are set for March 25, 2025, in the Fifth Circuit Court of Appeals, after which Judge Mazzant could declare the CTA unconstitutional (his December 3, 2024, injunction was merely a *preliminary* injunction). On the congressional front, Republican Senator Tommy Tuberville has reintroduced the Repealing Big Brother Overreach Act, which would repeal the CTA altogether. The Senator and his supporters argue that the CTA imposes unnecessary burdens on small businesses while infringing on privacy rights. On the executive front, the Trump administration has signaled its support for the CTA by moving to stay the *Smith* nationwide order, albeit the Government's motion and FinCEN's subsequent statements have indicated that the Government may attempt to reduce the CTA's burdens on small businesses.

FinCEN's Notice and Suggested Next Steps

After Judge Kernodle stayed his nationwide order in *Smith*, FinCEN swiftly issued a notice on February 19, 2025 (the "Notice"), to help companies navigate the sudden reactivation of CTA requirements, which extends the reporting deadline for most companies by 30 days to file initial, updated, or corrected BOI reports. This 30-day extension period ends on **March 21, 2025**. Notably, the Notice also states that "during this 30-day period FinCEN will assess its options to further modify deadlines, while prioritizing reporting for those entities that pose the most significant national security risks. FinCEN also intends to initiate a process this year to revise the BOI reporting rule to reduce burden for lower-risk entities, including many U.S. small businesses."

While it remains unclear if FinCEN will further modify deadlines, businesses should nonetheless prepare to comply with the March 21 deadline. We suggest that you:

- Circle the new deadline of March 21, 2025, on your calendar. Even if you believe further extensions or relief might come, operate under the assumption you must file by this deadline.
- Work with your legal counsel to determine if your business (or businesses) needs to file a BOI report with FinCEN, if any exemptions apply to your business(es), and what information you need to report to FinCEN.
- If you have already filed your BOI report, remember that you must update your BOI report with any changes to the information reported. FinCEN's Notice reiterates that companies which have already submitted a BOI report must update any changed information by March 21.

Don't wait to act. Now that the *Smith* order is lifted and FinCEN's authority to enforce the CTA has been restored, the prudent course is to promptly consult with your legal counsel and **prepare BOI reports as soon as possible** in consideration of the March 21 deadline. Being proactive ensures you won't be caught off guard if no further reprieve is granted

