

Insights

TEXAS COURT ISSUES NATIONWIDE INJUNCTION LESS THAN A MONTH BEFORE THE CORPORATE TRANSPARENCY ACT'S REPORTING DEADLINE

Dec 04, 2024

Yesterday, a Texas district court issued a nationwide preliminary injunction in *Texas Top Cop Shop, Inc. et al., v. Garland et al.*,^[1] enjoining enforcement of the [Corporate Transparency Act's reporting requirements](#). The CTA requires many businesses to report to the federal government the identity of their beneficial owners—that is, the stakeholders who own and control the business—on penalty of fines. The CTA is the first time corporate entities created under state law have been required to disclose such information to federal regulators.

Unless the court lifts the stay as part of a final judgment on the merits, or a higher court intervenes, this preliminary injunction means that the reporting rule is on hold. The Order was issued with less than a month to go before the CTA's year-end reporting deadline kicks in (and the penalties attached to non-reporting begin to accrue). Given uncertainty about the scope of the injunction and the short time before the deadline, companies should still be prepared to comply with the law if the stay is lifted.

In *Texas Top Cop Shop*, five individual plaintiffs and the National Association of Independent Business requested injunctive relief for themselves and NFIB's members. A prior federal district court had considered the issue and enjoined enforcement of the act to the parties before it, see [National Small Business Association v. U.S. Department of the Treasury](#) (the "NSBA"), but the Texas court's decision in this case issued a nationwide injunction that applies even beyond the parties to the case, thereby halting enforcement of the CTA nationwide.

The scope of the preliminary injunction issued in *Texas Top Cop Shop*, can be appealed (by asking an appellate court to stay the PI) now, or an appeal can be taken after a final decision on the merits issues. If the Government seeks a stay now, an appellate court could (1) uphold the nationwide injunction; (2) lift the nationwide injunction; or (3) narrow application of the injunction to the parties before the court. The federal regulator supporting the CTA, FinCEN, has not issued a statement on their next steps, like it did after the NSBA. If it is appealed, and if the injunction is narrowed, the reporting requirements could again be in effect (and failure to comply with the requirements could lead to hefty fines). In light of that uncertainty, businesses are well advised to prepare to comply.

WHAT DOES THIS MEAN FOR BUSINESSES?

- **Wait-and-see.** Some businesses may choose to take a wait-and-see approach, relying on the injunction and waiting to see what happens with *Texas Top Cop Shop* before complying with the CTA.
- **Monitor and prepare.** Given the proximity to the deadline and the effort required to comply, some businesses may choose to continue to prepare their filings to be ready to comply with the CTA deadlines, should the nationwide injunction be lifted or narrowed.
- **Move ahead with the filing.** Particularly for companies that are relying on service providers to make their filings (some of which are already seeing multiple day or week delays to submit filings), some businesses may choose to go ahead and make the filing regardless of the injunction.

To navigate these rules and deadlines for reporting requirements and recent updates, contact [BCLP's CTA team](#) with any questions. *Please note that BCLP does not provide advice as to the application of these laws to an entity unless we have been expressly engaged to provide such advice.*

[1] Docket No. 4:24-cv-00478 (E.D. Tex. Dec. 3, 2024).

RELATED CAPABILITIES

- Corporate

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