

Texas Court Issues Nationwide Preliminary Injunction of the Corporate Transparency Act

Update

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On December 3, 2024, the US District Court for the Eastern District of Texas issued a nationwide preliminary injunction, halting enforcement of the Corporate Transparency Act (CTA) and its implementing regulations.

In the case, *Texas Top Cop Shop, Inc., et al. v. Garland*, the court issued the preliminary injunction after finding that the CTA and its regulations are *likely* unconstitutional. The court's order enjoins both the CTA, 31 U.S.C. § 5336, and the final rule implementing the CTA, 31 C.F.R. 1010.380, pausing enforcement of both. In connection with the injunction, the court stayed the January 1, 2025, beneficial ownership information compliance deadline. As a result, reporting companies are not required to comply with the CTA's beneficial ownership reporting requirements until further order of the court.

While enforcement of the CTA is paused due to the preliminary injunction, this relief may be temporary. The future of the CTA will be determined through ongoing litigation, including the appeal in *NBSU v. Yellen*, currently pending before the US Court of Appeals for the Eleventh Circuit. Companies should remain vigilant for any developments in federal court that may alter or lift the relief provided by the injunction. Additionally, we recommend that companies continue to consider the potential implications of the CTA when drafting organizational documents for reporting companies.

The Bracewell CTA Task Force will continue to monitor this case and other related challenges to the enforceability of the CTA.

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