

Memorandum

Nationwide Injunction Enjoins CTA Enforcement

December 4, 2024

On December 3, 2024, the U.S. District Court for the Eastern District of Texas issued an opinion holding the Corporate Transparency Act and its implementing regulations (collectively, the “CTA”)¹ to be “likely unconstitutional” and issued a preliminary injunction enjoining enforcement of the CTA under section 705 of the Administrative Procedures Act.² Unlike the Alabama District Court’s March 2024 injunction in *National Small Business United v. Yellen*,³ the Eastern District of Texas’s injunction is effective nationwide and instructs that “reporting companies need not comply with the CTA . . . pending further order of the Court.”

The Court found that the CTA exceeds Congress’s constitutional authority, both under the Commerce Clause and the Necessary and Proper Clause. Judge Mazzant’s opinion recognizes Congress’s “laudable” law enforcement and national security goals but ultimately determines that because the CTA likely does not pass Constitutional muster, enjoinderment is in the public’s interest.

Highlighting the improbability that the CTA’s constitutionality will be resolved in the near future, the Court explicitly cited its inability to “render a meaningful decision on the merits before the Plaintiffs will suffer the very harm they seek to avoid”—namely, incurring unrecoverable compliance costs and “disclos[ing] information they seek to keep private under the First and Fourth Amendments” to comply with the end-of-year deadline—as weighting the balance of equities in favor of issuing an injunction.

For now, reporting companies need not submit any BOI Reports. The U.S. government has 60 days to file a notice of appeal, and we expect that the Treasury Department will issue a statement regarding the injunction in the near future, similar to a statement issued in the days following the *National Small Business United* decision. Given the upcoming change in presidential administrations, it would not be surprising if the Trump Administration discontinues any appeal, particularly since Congress passed the CTA in January 2021 over then-President Trump’s veto. Companies that had compliance obligations under the CTA prior to the injunction should pay close attention to developments and confer with counsel as appropriate on next steps.

¹ 31 U.S.C. § 5336(h)(3); 31 C.F.R. § 1010.380 et seq.

² *Texas Top Cop Shop, Inc. v. Garland*, 4:24-cv-00478 (E.D. Tex. Dec. 3, 2024) (Dkt. #30).

³ 5:22-cv-01448 (N.D. Ala. 2024); *National Small Bus. United v. U.S. Dep’t of the Treasury*, Appeal No. 24-10736 (11th Cir.).

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