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Updated Client Alert: Fifth Circuit Reverses Course on CTA - Preliminary Injunction Reinstated (For Now)

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UPDATED CLIENT ALERT: Fifth Circuit Reverses Course on Nationwide Preliminary Injunction of Corporate Transparency Act – Prior Order Vacated and Preliminary Injunction Reinstated Pending Expedited Appeal

In what seems to be a never-ending carousel of rulings, on December 26, 2024, the United States Court of Appeals for the Fifth Circuit reversed course and reinstated the nationwide preliminary injunction of the enforcement of the Corporate Transparency Act (CTA).

A separate panel of the Fifth Circuit of the U.S. Court of Appeals issued an order late December 26, 2024 whereby ". . . in order to preserve the constitutional status quo while the merits panel considers the parties' weighty substantive arguments, that part of the motions-panel order granting the Government's motion to stay the district court's preliminary injunction enjoining enforcement of the CTA and the Reporting Rule is VACATED." In doing so, the Fifth Circuit has restored and reinstated the nationwide preliminary injunction at this time.

As a result of the December 26, 2024 order, reporting companies are not currently required to comply with the CTA reporting requirements and upcoming filing deadlines.

With FinCEN's recent notice on December 23, 2024 that extended the majority of the CTA filing deadlines (i.e., to January 13, 2025 for entities existing prior to January 1. 2024), it will be interesting to see how the timing of the ongoing Court appeal plays out in the next several days, as well as whether the Courts and/or FinCEN will look to extend the injunction or the filing periods even further in the hope of seeking additional relief from what will be a newly seated Congress and/or a new presidential administration. However, as we have advised previously and given the unpredictability surrounding the status and enforceability of the CTA, it is appropriate and prudent to voluntarily report beneficial ownership information to ensure compliance by whatever deadline may be imposed.

Attorneys at Knox Law will continue to monitor any judicial and legislative updates and further guidance from the Courts or FinCEN regarding the CTA.

If you have any questions or would like more information on the issues discussed in this alert, please reach out to your contact at Knox Law, who can coordinate and assist with the provision of appropriate advice on CTA compliance. Please also visit the FINCEN website, FAQ's and Small Entity Compliance Guide which all provide additional information on the requirements for CTA compliance, as well as guidance on how to register and file your BOI with FinCEN.



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