

# Corporate Transparency Act Whiplash: Fifth Circuit Reinstates Preliminary Suspension of Deadline Pending Merits Ruling

Article By:

Kathleen M. Hamann

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On December 3, 2024, the Eastern District of Texas issued a nationwide preliminary injunction suspending enforcement of the Corporate Transparency Act (CTA), less than a month before the deadline. The ruling temporarily prohibited the Financial Crimes Enforcement Network (FinCEN) from enforcing the CTA, pending resolution of the lawsuit. The federal government filed a notice of appeal on December 5 and also requested that the preliminary injunction be stayed pending appeal. On December 23, the Fifth Circuit, holding that the government was likely to prevail on the merits, stayed the preliminary injunction and reinstated the January 1, 2025 deadline for CTA filings. FinCEN then voluntarily extended the deadline to January 13, 2025.

**On December 26, in a startling reversal, the Fifth Circuit vacated the stay in light of the expedited ruling expected on the merits of the preliminary injunction.** FinCEN has not yet issued a statement, but it is anticipated that it will comply with the injunction, while continuing to accept filings on a voluntary basis while the litigation is ongoing.

In light of ongoing uncertainty, we recommend that entities that have not yet filed be prepared to file on short notice if the preliminary injunction is once again stayed or overturned, resulting in the January 13 deadline being reinstated or a new deadline being imposed on short notice. As noted by FinCEN, entities may file notwithstanding the injunction if they choose to do so, and entities may wish to complete the filing so that they do not need to monitor the situation and to avoid high traffic to the filing website in the event a deadline is reimposed.

Separately from the preliminary injunction, which is a temporary suspension of enforcement of the requirement to file, resolution of the primary court case could take time. Please note that if you file or have already filed and the law is ultimately found unconstitutional or otherwise overturned or rescinded, you will not be under any continuing obligation regarding that filing.

Entities can of course choose not to file. However, be aware that in addition to the potential need to file on short notice should the preliminary injunction be limited, stayed, or overturned, financial institutions may inquire as to whether the entity has filed a CTA and could require filing as part of the financial institution's anti-money laundering program.

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