Katten

ADVISORY

Corporate Transparency Act Reporting Remains Voluntary

January 24, 2025

This Corporate Advisory provides a brief update on recent litigation regarding the Corporate Transparency Act (CTA) and its reporting requirements. It is not intended to, and does not, provide legal, compliance or other advice to any individual or entity. For a general summary of the CTA, please refer to our prior CTA Corporate Advisories from November 8, 2023, and September 17, 2024. Please reach out to your Katten attorney for assistance regarding the application of the CTA to your specific situation.

As of January 24, 2025, the Corporate Transparency Act's (CTA) reporting requirements remain voluntary. On January 23, 2025, the Supreme Court of the United States (SCOTUS) issued an order that granted the US government's motion to stay the nationwide injunction issued by the US District Court of the Eastern District of Texas in the case of *Texas Top Cop Shop, Inc. v. McHenry* (formerly *Texas Top Cop Shop, Inc. v. Garland*). This headline appeared to have the effect of reinstating the CTA's reporting requirements and deadlines. However, such SCOTUS order does not appear to impact a separate stay issued against the enforcement of the CTA's reporting rules issued by the US District Court of the Eastern District of Texas in Smith v U.S. Department of the Treasury. The US Treasury Department's Financial Crimes Enforcement Network (FinCEN) has interpreted the SCOTUS ruling similarly. Specifically, FinCEN noted: "On January 23, 2025, the Supreme Court granted the government's motion to stay a nationwide injunction issued by a federal judge in Texas (*Texas Top Cop Shop, Inc. v. McHenry*—formerly, *Texas Top Cop Shop v. Garland*). As a separate nationwide order issued by a different federal judge in Texas (*Smith v. U.S. Department of the Treasury*) still remains in place, reporting companies are not currently required to file beneficial ownership information with FinCEN despite the Supreme Court's action in Texas Top Cop Shop." Accordingly, the CTA's reporting requirements remain on hold, and reporting companies are not currently required to file Beneficial Ownership Information Reports with FinCEN, and FinCEN has stated that reporting companies are not subject to liability if they fail to file Beneficial Ownership Information Reports with FinCEN while the Smith order remains in force.

Note that this SCOTUS order relates solely on the nationwide injunction and was not a ruling on the constitutionality of the CTA. Your team at Katten continues to monitor these CTA developments closely.

The Supreme Court order is available here.

The FinCEN alert is available here.

Our updated CTA Corporate Advisory providing background on the *Texas Top Cop Shop* case is available here.

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