



Is the Corporate Transparency Act dead? Williams Williams Rattner & Plunkett looks at new United States District Court, Eastern District of Texas, decision granting a temporary injunction against enforcement of CTA

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Birmingham, Mich.---December 5, 2024 –John W. Crowe, managing partner of Birmingham, Michigan-based corporate law firm Williams Williams Rattner & Plunkett (WWRP), shared an important update on the Corporate Transparency Act (CTA) and its imposed deadline date of December 31, 2024. The deadline has now been stayed following a December 3 ruling by the United States District Court, Eastern District of Texas.

“The Corporate Transparency Act has been a point of contention in the business community since it took effect, with many voices making criticisms of government overreach,” Crowe said. “The Eastern District of Texas has issued a preliminary injunction stopping the enforcement of the CTA, not just with regard to the nominal plaintiffs, but for all persons subject to the law, and suspended, at least temporarily, the planned December 31 deadline for compliance.”

Background

The CTA required Reporting Companies in the United States to disclose to the Financial Crimes Enforcement Network (FinCEN) the names of individuals who own or control a company operating in the U.S. market. The goal of identifying these “Beneficial Owners” was to obtain information and increase transparency to fight tax fraud, money laundering and other nefarious financial dealings by gaining information on an estimated 32 million Reporting Companies and their Beneficial Owners.

The language in the 79-page order underscores the constitutional issues raised by the CTA which the U.S. District Court considered:

“Though seemingly benign, this federal mandate marks a drastic two-fold departure from history. First, it represents a federal attempt to monitor companies created under state law—a matter our federalist system has left almost exclusively to the several States. Second, the CTA ends a feature of corporate formation as designed by various States—anonymity. For good reason, Plaintiffs fear this flanking, quasi-Orwellian statute and its implications on our dual system of government. As a result, Plaintiffs contend that the CTA violates the promises our Constitution makes to the People and the States. Despite attempting to reconcile the CTA with the Constitution at every turn, the Government is unable to provide the Court with any tenable theory that the CTA falls within Congress’s power.”

But is the Corporate Transparency Act dead?

“The future of the Corporate Transparency Act remains unknown. The federal government will likely appeal the decision, which would start an appeal process which could certainly involve

further appeals to the U.S. Supreme Court; legislative action in response to this court order is possible; and, of course, the impact in Washington, D.C., of transitioning presidential administrations may raise more questions on the CTA's future in the near term," Crowe said. "What we can say with certainty at this point is that the December 31 deadline, which was waiting for millions of filings – and held serious implications for non-compliance – has been lifted, for now."

About Williams Williams Rattner & Plunkett

Williams Williams Rattner & Plunkett is a corporate law firm comprised of trusted attorneys, counselors and litigators committed to our clients' success. Practice areas include business and commercial law, mergers and acquisitions, real estate including zoning, property tax appeals and eminent domain, commercial litigation, trusts and estates, divorce, and family law matters. A leader in local and state bar activities, community organizations, and charitable endeavors, Williams Williams Rattner & Plunkett understands the role attorneys play in a dynamic business environment, and as members of a vibrant community. Learn more about the firm and its commitment to exceptional client service at www.WWRPLaw.com.

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