

News & Types: Client Advisories

Updated Urgent Legal Update - Breaking News: Federal Court Blocks Enforcement of the Corporate Transparency Act

12/4/2024

By: Karl W. Von Drathen

Practices: Corporate, Finance & Acquisitions

DECEMBER 4, 2024

The Corporate Transparency Act (the “CTA”) is a federal law that went into effect January 1, 2024, and is aimed at preventing illegal financial activities by increasing transparency in business ownership. The CTA requires certain companies to disclose information about the company’s “beneficial owners” to the Financial Crimes Enforcement Network (“FinCEN”). A “beneficial owner” is anyone who, directly or indirectly, owns 25% or more of the company or who exercises significant control over it. In most instances, companies were required to report their beneficial ownership information to FinCEN no later than January 1, 2025 in order to avoid penalties.

On December 3, 2024, the US District Court for the Eastern District of Texas granted a nationwide preliminary injunction stating, among other things, that reporting companies do not need to comply with the CTA’s January 1, 2025, reporting deadline for filing beneficial ownership information. Unless and until an appellate court overrules the injunction, no businesses are obligated to comply with the reporting requirements.

WHAT THIS MEANS FOR YOU

If You Have Already Filed Your CTA Information Report:

- No immediate action is required. You can be assured that you are in compliance with the CTA and its reporting obligations in case the injunction is overturned.

If You Have Not Filed Your CTA Information Report:

- If you are in the process of gathering your ownership information, you may wish to continue and file your report in case the injunction is overturned.
- You may also withhold from filing but be prepared to file in the future on short notice.

NEXT STEPS

Masuda Funai will continue to monitor the CTA as further developments unfold. While it is likely that the government will appeal this ruling, it is unknown whether the injunction will be upheld. Likewise, with a new administration taking office in January, enforcement may be limited or reduced. Companies should be prepared to act quickly, however, if the injunction is overturned.

PLEASE CONTACT US FOR ASSISTANCE

If you have any questions about the CTA or its reporting requirements, or if you need assistance in filing your report, please contact us for assistance.



Karl Von Drathen, Principal & Co-Chair
(Corporate, Finance & Acquisitions)
312.245.7500
kvondrathen@masudafunai.com



Joshua Wilson, Associate
(Corporate, Finance & Acquisitions)
312.245.7500
jwilson@masudafunai.com

Masuda Funai is a full-service law firm with offices in Chicago, Detroit, Los Angeles, and Schaumburg

