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CRITICAL UPDATE: National Injunction Stayed in Smith v. U.S. Department of the Treasury; Beneficial Ownership Reporting Is Again Required

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On February 17, 2025, the U.S. District Court for the Eastern District of Texas issued a stay of a nationwide injunction of the enforcement the Corporate Transparency Act ("CTA") in *Smith v. U.S. Department of the Treasury*, effectively reinstating enforcement of the CTA to include mandatory beneficial ownership reporting for millions of companies that do not qualify for an exemption under the CTA.

On February 19, 2025, the Financial Crimes Enforcement Network (FinCEN) issued a notice that beneficial ownership reporting requirements are back in effect and has issued a deadline of **March 21, 2025** (i) for companies formed prior to January 1, 2024 to make its initial filing or (ii) for any company that would have been required to file an updated or corrected beneficial ownership report during the period the injunction was in effect.

This outcome follows a series of rulings which had both halted enforcement and reinstated enforcement of the CTA. The United States Supreme Court ruled on January 23, 2025, to stay a nationwide injunction of the CTA in *Texas Top Cop Shop v. McHenry*, which would have effectively reinstated the enforcement of the CTA and the filing of beneficial ownership information reports for non-exempt companies. However, on January 24, 2025, the Financial Crimes Enforcement Network ("FinCEN") issued a notice that due to a nationwide injunction issued in *Smith v. U.S. Department of the Treasury*, beneficial ownership reporting under the CTA would remain voluntary while that injunction remains in effect.

Beneficial ownership reporting under the CTA appears to remain fluid. FinCEN states in its February 19, 2025, notice that during the 30-day filing extension period it will be assessing options for additional modifications of the deadlines. Further, FinCEN states it will work this year toward revisions of the beneficial ownership reporting requirements generally. Lastly, legislation has passed in the United States House of Representatives to defer the reporting deadline for companies formed prior to January 1, 2024, until January 1, 2026. That legislation is now pending in the United States Senate. Companies that are not otherwise exempt from reporting should continue to monitor these developments and make any

requisite filings in compliance with the deadlines set by FinCEN.

The CTA is a federal law enacted to enhance corporate transparency by requiring certain companies to disclose beneficial ownership information to FinCEN. It aims to facilitate greater transparency regarding the individuals who ultimately own or control companies operating in the United States and would require tens of millions of domestic business entities and foreign companies doing business here to report information on their beneficial owners to FinCEN.

Additional Information

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