

News & Insights

Tax Attorney David Potts for the Journal Record: Corporate Transparency Act Filings Back on Hold - Again, For Now

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The legal battle over the Corporate Transparency Act (CTA) continues. In the past few weeks, the courts have reversed their holdings twice about the CTA and corporate Beneficial Ownership Information (BOI) filing requirements. The U.S. Court of Appeals for the Fifth Circuit has reinstated a preliminary nationwide injunction of the CTA, temporarily halting enforcement of the CTA, including the requirement to file BOIs. This means that businesses are not currently subject to the previously announced January 13 reporting deadline.

On December 31, 2024, the U.S. Department of Justice asked the U.S. Supreme Court to halt a nationwide injunction against the CTA, a move that would allow enforcement during an appeal. The government stated that the lower court injunction should be stayed since the high court traditionally applies a strong presumption in favor of allowing challenged acts of Congress to remain pending a final review, according to the filing.

The CTA, enacted by federal legislation in 2021, as part of the National Defense Authorization Act, is an anti-money-laundering initiative, and it requires “reporting companies” – primarily corporations, limited liability companies, or other entities that are formed by filing a document with a secretary of state – to disclose identities and other information about the “beneficial owners” of the entities. A beneficial owner is any individual (1) who directly or indirectly exercises “substantial control” over the reporting company, or (2) who directly or indirectly owns or controls 25% or more of the “ownership interests” of the reporting company.

If a reporting company fails to meet the disclosure requirements under the CTA, the penalties are severe – up to two years imprisonment, fines up to \$10,000 per report, and civil penalties of up to \$591 for each day the violation continues.

Due to the uncertainty surrounding this filing requirement, you should:

- **Stay Informed:** Monitor updates from the Department of the Treasury's Financial Crimes Enforcement Network (FinCEN) regarding the CTA.
- **Review Compliance Requirements:** Understand the specific reporting requirements under the CTA and gather the necessary documentation for BOIs in the event the temporary injunction is vacated or a permanent injunction is not granted.
- **Consult Legal and Accounting Experts:** Seek advice from professionals to ensure your company is fully prepared to meet the CTA requirements.
- **Voluntary Compliance:** Consider voluntarily submitting BOI reports to FinCEN to demonstrate your commitment to transparency and compliance.