

Jan 27, 2025 | New York, NY · New Brunswick, NJ · Madison, NJ

The Corporate Transparency Act - Supreme Court Orders Stay of Top Cop Shop Injunction, but Smith Injunction Remains in Effect

Alert

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On January 23, 2025, the Supreme Court issued an order staying the nationwide preliminary injunction against enforcement of the Corporate Transparency Act and related regulations (collectively, the “CTA”) which had been issued on December 3, 2024 by a Texas federal court in *Texas Top Cop Shop, Inc. v. Garland*, Case No. 4:24-cv-00478 (E.D. Tex.). As discussed in our previous client alerts, a prior stay of the *Texas Top Cop Shop* injunction had been granted by the United States Court of Appeals for the Fifth Circuit on December 23, 2024, and then vacated by a different panel of the Fifth Circuit a mere four days later.

However, there remains in force a separate preliminary injunction issued on January 7, 2025 by a different Texas federal judge in *Smith v. United States Department of the Treasury, et al.* (E.D. Tex. No. 624-cv-336) which also blocks the CTA’s enforcement, and was not impacted by the new Supreme Court decision.

Are reporting companies still required to file CTA reports?

No. As of the publication of this Client Alert, the home page of the CTA website of the U.S. Department of the Treasury’s Financial Crimes Enforcement Network (“*FinCEN*”) specifically acknowledges that the CTA’s enforcement still remains blocked, due to the injunction in the *Smith* case:

Alert: Ongoing Litigation – *Texas Top Cop Shop, Inc., et al. v. McHenry, et al.*, No. 4:24-cv-00478 (E.D. Tex.) & Voluntary Submissions [Updated January 24, 2025]

In light of a recent federal court order, reporting companies are not currently required to file beneficial ownership information with FinCEN and are not subject to liability if they fail to do so while the order remains in force. However, reporting companies may continue to voluntarily submit beneficial ownership information reports.

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*. Reporting companies also are not subject to liability if they fail to file this information while the *Smith* order remains in force. However, reporting companies may continue to voluntarily submit beneficial ownership information reports.

Accordingly, companies that have not yet filed their CTA report may refrain from filing their report at this time, but should remain vigilant as this issue continues to evolve.

Note that this preliminary injunction is not a final decision, and companies could potentially still be required to prepare and file a CTA report if the U.S. government ultimately prevails on the merits. Also note that *Texas Top Cop Shop* and *Smith* are only two of several cases that have challenged the CTA pending before courts around the country. Additionally, there is a distinct possibility that President Trump will intervene, perhaps by issuing an executive order that delays or prevents the CTA’s enforcement.

What should my company do now?

While some companies may be comfortable continuing to take a “wait and see” approach, others may wish to take a more conservative approach and complete their CTA analyses and preparatory work so that they are prepared to move quickly and file a CTA report if needed.

What if I have legal questions?

Our firm has closely followed the CTA since the regulations were enacted and will continue to monitor it for any updates. If you would like assistance from our law firm, including how the CTA may affect you, please do not hesitate to contact your Windels Marx relationship lawyer or one of the following members of our Corporate and Securities Practice Group: [Charles Damato](#), [Christopher Dean](#), [Benjamin Fink](#), [Jonathan Gray](#), [Gregory Krauss](#), [Jonathan Kret](#), [Michael Moriarty](#), [Robert Rossi](#) or [Robert Schwartz](#).

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