



LEGAL UPDATE REGARDING THE CORPORATE TRANSPARENCY ACT

In 2021, Congress enacted the Corporate Transparency Act (“CTA”) to address the use of somewhat anonymous corporate structures to commit money laundering and other similar financial crimes. Under the CTA, domestic reporting companies, e.g., corporate entity, LLC, or similar entity created by filing a document with a Secretary of State, are to submit information to the federal government regarding the beneficial owner of the corporate entity (i.e., the person who has substantial control or at least 25% ownership interest in the corporate entity) by January 1, 2025.

On December 3, 2024, the U.S. District Court for the Eastern District of Texas entered a preliminary injunction enjoining enforcement of the CTA. In the Memorandum Opinion and Order for the Texas Top Cop Shop, Inc. case, Judge Mazzant declared that “...reporting companies need not comply with the CTA’s January 1, 2025, BOI (Beneficial Owner Information Report) reporting deadline *pending further order of court*.” Based upon this decision, it appears that reporting companies, such as community associations, have received at least a temporary reprieve from having to file a BOI.

With the above said, it is important to note that this situation is fluid . At the time of the drafting of this update, the Department of the Treasury has not expressed any public position on the ruling, nor has it provided an update as to the next steps (including whether it is agreeing to suspend or extend the deadline for compliance). The FinCEN website is still open for business. Given action taken in response to past adverse rulings, specifically that related to the *National Small Business United v. Yellen* case in the U.S. District Court for the Northern District of Alabama, we expect Judge Mazzant’s order to be promptly appealed. As a result, we caution against assuming that the CTA is dead and that filing of a Beneficial Owner Information Report is no longer needed. Action may still ultimately be required and may still be required by January 1, 2025. In the meantime, we are waiting for the Department of Treasury to confirm a stay of enforcement. We will provide further direction for those of you who have not yet filed a BOI Report, as we expect to have more information shortly.

As the dust settles with this recent decision, we will provide additional updates.

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