

FRANZEN & FRANZEN, LLP

CERTIFIED PUBLIC ACCOUNTANTS

January 10, 2025 – Beneficial Ownership Reporting on Hold

The United States Congress enacted the Corporate Transparency Act (CTA) last year, aiming to enhance corporate transparency and combat financial crimes. The CTA mandates that certain entities disclose beneficial ownership information (BOI) to the Financial Crimes Enforcement Network (FinCEN). Entities with BOI filing requirements include certain corporations, limited liability companies, or other entities created by filing of a document with a secretary of state.

The CTA has been the subject of several lawsuits challenging its constitutionality. The latest challenge involves the U.S. Fifth Circuit Court of Appeals, and it is reviewing a Texas court's decision to enjoin the enforcement of the BOI reporting requirement. (*Texas Top Cop Shop, Inc. et al. v. Garland* (December 26, 2024) U.S. Ct. of Appeals, Fifth Circuit, Case No. 24-40792). The review will be expedited but in the interim, the requirement to file a BOI report with FinCEN is on hold.

As the law now stands today, penalties cannot be imposed against businesses who fail to file BOI reports with FinCEN. However, as we have seen recently, this can change at any point.

As we've heard over the last year, all new businesses must file these reports no later than January 1, 2025 (the original deadline), or face penalties of up to \$591 per day. As a result of the Texas district court's ruling, this is no longer the case ... at least for now.

Although businesses do not have to file BOI reports while the court's order is still in effect, businesses do have the option to continue to file their reports while this issue works its way through the courts. It is possible that this requirement could be reinstated with very little time to file. As a result, we recommend that you continue to gather all necessary information to be ready to file should the reporting requirement be reinstated.

The choice is yours:

- If you would rather not file the report, no penalties can be imposed against you at this point;
- If you have already filed, there is nothing more you need to do. At this stage we do not have any information as to whether FinCEN will destroy all the previously provided information; or
- If you haven't filed but have all the information ready and would like to file, you are free to do so.

Please be aware that our office does not prepare or assist with BOI filings, and we suggest that if you have any questions, you contact your attorney for assistance with this.