

December 5, 2024

CLIENT ALERT

Important Developments in the Corporate Transparency Act and Ownership Information Reporting and Upcoming Wage Changes

Dear Clients and Friends:

Recent decisions from Texas District Courts have an immediate impact in New York and across the country. Businesses should take note.

In the first ruling, the Court issued a nationwide preliminary injunction prohibiting the federal government from enforcing the Corporate Transparency Act (the "CTA") and the beneficial ownership information reporting requirements under the CTA (including the upcoming January 1, 2025 reporting deadline for all companies formed before 2024). The court ruled that Congress exceeded its authority in enacting the CTA and, accordingly, until further court rulings or administrative actions are issued, businesses do not have to file beneficial ownership information reports ("BOIs") with FinCEN. For businesses that have already filed BOIs, no immediate action is required and no further compliance steps need to be taken at this time. For those businesses that have not yet filed BOIs, the nationwide injunction means that no businesses are currently required to comply with the CTA so businesses can delay filing of BOIs for the time being.

In the second ruling, the Court vacated, on a nationwide basis, the increase to the minimum salary for an exempt employee implemented by the federal Department of Labor earlier this year. This injunction included vacating the first salary increase that went into effect in July 2024 and the salary increase slated to go into effect January 1, 2025. The minimum exempt salary under federal law will return to \$35,568 per year. The minimum exempt salary level for a highly compensated employee will return to \$107,432. This decision does not affect higher salaries in many states, including New York. Nor does it affect changes to salary levels for exempt employees set to go into effect January 1, 2025 as a result of state laws.

While it is impossible to predict next steps for the losing government agencies, it seems unlikely that the incoming administration will defend either law. In any event, businesses do not need to comply with them at this time.

Contact Your HH&K Attorney for Legal Guidance

This information is not legal advice and may not be suitable for all client situations. This Client Alert provides general information regarding the Corporate Transparency Act and does not outline all of the important considerations related thereto.

This Client Alert is not a substitute for legal guidance regarding program details and how those may be applicable to your business. As always, if we can be of assistance with these programs or any other matters, please do not hesitate to contact your HH&K attorney.

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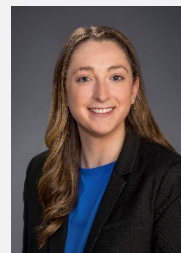
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