



Texas Judge Re-Opens U.S. to Corrupt and Criminal Money

Lower Court Decision Will Delay Full Implementation of the Corporate Transparency Act, a Landmark Anti-Money Laundering Law

A statement from Transparency International U.S.
December 4, 2024

Washington, D.C.—Yesterday, Judge Amos Mazzant of the U.S. District Court for the Eastern District of Texas granted a motion for preliminary injunction sought by the National Federation for Independent Businesses (NFIB) as part of its lawsuit challenging the constitutionality of the Corporate Transparency Act (CTA). Judge Mazzant concluded that the CTA, as well as the U.S. Treasury Department’s rule to implement it (the Reporting Rule) are “likely unconstitutional as outside of Congress’s power,” including its powers to regulate commerce or foreign affairs. As a result, companies required to report their beneficial ownership information under the CTA “need not comply” with the law’s existing January 1, 2025, reporting deadline.

The CTA was passed in 2021 with strong bipartisan support as part of the annual defense spending bill. It requires many U.S. and foreign companies to report basic identifying information (e.g., name and address) for the actual people who own or control the company (aka, an entity’s “beneficial owners”) to Treasury’s Financial Crimes Enforcement Network (FinCEN). Prior to the adoption and implementation of the CTA, criminals around the world, including corrupt foreign officials, were able to use anonymously owned companies to move, hide, and launder the proceeds of their crimes in the United States.

Scott Greytak, Director of Advocacy for Transparency International U.S. (TI US), issued the following statement on Judge Mazzant’s decision:

This decision from a lone Texas judge is poorly reasoned and will be overturned on appeal. Three other federal courts have reached the opposite conclusion and denied injunctions in similar cases.

But until it is, millions of Americans will be less safe because of it.

The Corporate Transparency Act is a simple transparency law that would have helped stop corrupt politicians, dealers of fentanyl and other deadly drugs, terrorists, human traffickers, and other criminals from using front companies to commit and conceal their crimes. It was supported by Republicans and Democrats alike, including by President Trump’s

administration, and is a straightforward exercise of Congress's long-recognized powers under the U.S. Constitution.

There is an extensive, bipartisan, and undeniable record of anonymously owned companies being used to endanger U.S. national security. Perhaps most infamous is how the Government of Iran used an anonymously owned company based in the United States to finance its nuclear weapons program.

Unfortunately, Judge Mazzant sees such anonymity as a "feature of corporate formation", not as the threat to national security understood by Congress and the Trump Administration. Going further, Judge Mazzant labels the law—which, to be clear, requires the private reporting of less information than one must disclose in order to obtain a library card in all 50 states—as "quasi-Orwellian".

Owners of legitimate small businesses are proud of their businesses and their contributions to the community and often put their own name out publicly.

Importantly, the judge acknowledges that his opinion may soon be overshadowed by that of a higher court, as the Eleventh Circuit Court of Appeals in Atlanta is currently considering a similar challenge to the CTA and yesterday's decision will not "stop further consideration of the constitutionality" of the law.

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TI US is part of the world's largest coalition against corruption. In collaboration with national chapters in more than 100 countries, we are leading the fight to turn our vision of a world free from corruption into reality.

Related Resources

- [Read](#) Judge Mazzant's decision.
- [Read](#) an amicus brief filed by TI US and allies discussing how the CTA protects U.S. national security.
- [Read](#) a TI US fact sheet on how anonymous companies undermine U.S. national security.

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