

Corporate Transparency Act Declared Unconstitutional



By [Christian M. Lovelace](#), [Brendan J. Rich](#)

March 4, 2024 | **CORPORATE**

On March 1, 2024, only 60 days after the Corporate Transparency Act's ("CTA") enactment, District Court Judge Liles C. Burke of the Northern District of Alabama issued a 53-page opinion declaring the CTA unconstitutional. Judge Burke's decision held that the CTA "exceeds the Constitution's limits on the legislative branch and lacks a sufficient nexus to any enumerated power to be a necessary or proper means of achieving Congress' policy goals."

Effective January 1, 2024, the CTA required qualified foreign and domestic businesses and entities across the United States to report information on their businesses, owners, senior officers and decision makers to the Financial Crimes Enforcement Network ("FinCEN"). This legislation was aimed at combating financial crimes and enhancing ownership transparency. It is estimated that the CTA applied to 32.6 million existing entities and approximately 5 million new entities formed each year.

The plaintiff in the case, the National Small Business Association "NSBA," is an Ohio nonprofit corporation that represents and protects the rights of small businesses across the United States of America. The NSBA commenced an action against the Department of the Treasury, the Treasury Secretary Janet Yellen, and Acting

Director of FinCEN Himamauli Das in their professional capacities, alleging that the Beneficial Ownership Reporting Requirement under the CTA exceeds Congress' authority under the Constitution. The Plaintiffs also claimed that the CTA violated the first, fourth, fifth, ninth and 10th amendment to the Constitution.

While the Court in this case permanently enjoined FinCEN from enforcing the CTA upon the Plaintiff, the implications on companies not party to the litigation is unclear for the time being. It is anticipated the Treasury Department will file an appeal in the Eleventh Circuit Court of Appeals.

Stay tuned for further developments on the status of the Corporate Transparency Act and its requirements provided by Lippes Mathias' corporate law team. For questions about the CTA or other matters, please contact Brendan J. Rich (brich@lippes.com) or Christian M. Lovelace (clovelace@lippes.com).

Disclaimer: *The information in this post is provided for general informational purposes only, and may not reflect the current law in your jurisdiction. No information contained in this post should be construed as legal advice from our firm or the individual author, nor is it intended to be a substitute for legal counsel on any subject matter. No reader of this post should act or refrain from acting on the basis of any information included in, or accessible through, this post without seeking the appropriate legal or other professional advice on the particular facts and circumstances at issue from a lawyer licensed in the recipient's state, country or other appropriate licensing jurisdiction.*