

Corporate Transparency Act Found Unconstitutional (for Specific Plaintiffs)

March 4, 2024

The Corporate Transparency Act (CTA) – a summary of which can be found [here](#) – became effective January 1, 2024. However, on March 1, Judge Liles C. Burke of the US District Court of the Northern District of Alabama issued a memorandum opinion and final judgment in *National Small Business United v. Yellen*,¹ finding that the CTA “is unconstitutional because it exceeds the Constitution’s limits on Congress’ power,” but the court avoided ruling on the application of the First, Fourth and Fifth Amendments of the Constitution to the CTA. As a result, the court therein permanently enjoined the Treasury Department, “along with any other agency or employee acting on behalf of the United States . . . from enforcing the Corporate Transparency Act *against the Plaintiffs*.”

Note that the case was decided on summary judgment at the federal district court level and that the language from the final judgment specifically relates solely to the plaintiffs in this case (i.e., the National Small Business Association (NSBA) and a specific business owner who is a member of the NSBA).

Therefore, notwithstanding the recent headlines flowing from this decision that broadly declare the CTA unconstitutional and void, it remains to be seen how the decision will impact other Reporting Companies and their Beneficial Owners and Company Applicants. For example, it is still currently unknown how this case will proceed on appeal, how the ruling will apply to parties other than the plaintiffs in this case, whether the ruling only applies to the NSBA itself or also to its approximately 65,000 members, and how other federal courts will ultimately rule on this issue. Note that this decision applies to the federal CTA and does not purport to impact reporting requirements under specific state statutes, such as the New York LLC Transparency Act.

At this time, we believe it remains prudent practice for clients to continue to abide by the reporting requirements set forth under the CTA until additional guidance becomes available. Your Katten team continues to monitor these developments.

Also see:

[Action Required: Corporate Transparency Act Reporting Is Here](#)

[Action Required: Impact of Corporate Transparency Act on Investment Managers](#)

[Fraud, Reform and the Registrar: Economic Crime and Corporate Transparency Act 2023](#)

[In Brief: Estate Planning and Corporate Transparency Act Reporting](#)

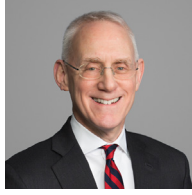
¹ *Nat'l Small Bus. United v. Yellen*, No. 5:22-cv-01448-LCB (N.D. Ala. 2022).

CONTACT

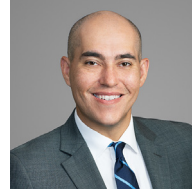
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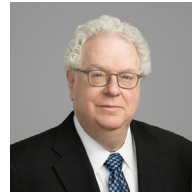
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