

U.S. District Court for the Northern District of Alabama Finds CTA Unconstitutional: *National Small Business United, et al v. Yellen et al*

In a case brought by the National Small Business Association and an individual owner of a small business (Plaintiffs), the U.S. federal district court for the Northern District of Alabama has ruled that the Corporate Transparency Act (CTA) is unconstitutional because the CTA exceeded the authority of Congress. The court rejected the government's argument that Congress had the authority to enact the CTA under its constitutional powers to regulate foreign affairs and interstate commerce and to impose taxes. The court found that the CTA's reporting requirements were not sufficiently tailored to Congress's constitutional powers and impinged on powers traditionally held by states over the formation of corporations. Additionally, the court suggested in its decision how Congress might amend the CTA to fit within the Commerce Clause.

The Justice Department filed a Notice of Appeal on March 11, 2024. While this challenge to the CTA winds its way through the federal appellate court process, the Financial Crimes Enforcement Network (FinCEN) of the U.S. Department of the Treasury, which has the authority to implement the CTA, announced that it will continue to implement the CTA (while complying with the court's order). FinCEN will continue to enforce the CTA against all reporting companies, other than the members of the plaintiff National Small Business Association as of March 1, 2024 (which, as noted in the court's decision, represents over 65,000 businesses in all 50 states) and the individual plaintiff.

Cozen O'Connor has issued several alerts on the CTA (see below) and will continue to monitor developments under the CTA, including the appeal of the *National Small Business United* court ruling. At this time, unless such a ruling applies to you or to your business as noted above, compliance with CTA beneficial ownership reporting is required, and we are happy to provide assistance to you in this effort.

- [Important Information Regarding Corporate Transparency Act Which May Require Action in 2024 \(Oct. 4, 2023\)](#)
- [FinCEN Issues Final Regulation for Beneficial Ownership Reporting \(Nov. 15, 2022\)](#)



Steven P. Katkov

Member

skatkov@cozen.com
Phone: (612) 260-9037
Fax: (214) 462-3299



Larry P. Laubach

**Co-Chair,
Corporate
Practice Group**

llaubach@cozen.com
Phone: (215) 665-4666
Fax: (215) 701-2346



Ingrid Welch

**Member &
General Counsel**

iwelch@cozen.com
Phone: (215) 665-4616
Fax: (215) 665-2013

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