



Corporate Law Update

March 2024

CTA Requirements and Deadlines Remain Despite Recent Constitutional Challenge

On March 1, 2024, Judge Liles Burke of the U.S. District Court for the Northern District of Alabama issued a decision in [*National Small Business United d/b/a National Small Business Association v. Janet Yellen*](#) (Case No. 5:22-cv-1448-LCB) stating that the Corporate Transparency Act (CTA) is unconstitutional. In response to some reports calling this decision the “death” of the CTA, we wanted to provide an update on the status of the matter in our view.

On November 15, 2022, the National Small Business Association and an individual small business owner filed a lawsuit in the Northern District of Alabama challenging the constitutionality of the CTA. The plaintiffs sought an injunction against implementing the CTA, specifically its beneficial ownership reporting requirements. Ultimately, the court determined that motions for summary judgment would resolve the matter.

On March 1, 2024, the court granted the plaintiffs’ motion for summary judgment, stating that the CTA is unconstitutional because it sits outside Congress’ power to legislate. The decision specifically refutes the government’s justification of the CTA as an appropriate exercise of Congress’ powers over regulating foreign affairs, commerce and taxes.

The court issued an injunction against the application of the CTA only as to the plaintiffs involved in the case. As of March 6, 2024, there is no national injunction, and the CTA remains in force. Therefore, all non-exempt reporting companies and related persons must continue to comply.

This ruling represents the perspective of a single court’s opinion, and we anticipate that it will undergo an appeal. As

more aggrieved individuals no doubt file similar cases in other jurisdictions, we will continue to monitor the situation.

However, currently, we do not view the recent decision to be the “death” of the CTA. We will continue to advise clients to comply with the law and, as such, remain available to assist with providing legal analysis on CTA matters.

You can view a summary of key CTA requirements, deadlines and penalties here: [“Federal Corporate Transparency Act Takes Effect January 1; Some States Following Suit.”](#)

FOR MORE INFORMATION

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