

## Alabama District Court Declares Corporate Transparency Act Unconstitutional

Article

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On March 1, 2024, the United States District Court for the Northern District of Alabama ruled that the Corporate Transparency Act (CTA) exceeds the constitutional limits on Congress's legislative power and is therefore unconstitutional.

In a lawsuit filed by the National Small Business Association challenging the constitutionality of the CTA, the plaintiffs motioned for summary judgment, arguing that the CTA's requirements for most entities incorporated under state law to disclose personal stakeholder information to the Treasury Department's Financial Crimes Enforcement Network (FinCEN) exceeded Congress's constitutional authority and violated multiple amendments of the Constitution.

The court granted the motion for summary judgment, ruling that the CTA was not a valid exercise of Congress's enumerated powers. However, the court did not address whether the CTA violated any constitutional amendments.

While this may be encouraging news for those who are less than enthusiastic about the CTA's reporting requirements, neglecting to comply with reporting requirements under the CTA is not an advisable course of action at this time. The case is likely to be appealed, and FinCEN has already released a statement on its website implying that it interprets this ruling as only applying to the specific plaintiffs in the case.

More to come, but for now new entities formed in 2024 should continue to make the required filings under the CTA.

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