

In Limited Ruling, CTA Held “Unconstitutional” by U.S. District Court

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The material set forth below was developed before the 2024 and 2025 district court injunctions regarding the CTA (which were subsequently stayed and continue to be litigated). As a result, the material set forth below, including filing deadlines, may not be current. Please consult FinCEN's [website](#) for the latest filing due dates and other information regarding the CTA and its requirements.

Summary

On March 1, the U.S. District Court of the Northern District of Alabama filed an opinion that rendered the Corporate Transparency Act (CTA) unconstitutional. Importantly, the court's ruling only applies to the plaintiffs in the case, and as such, the CTA remains effective and applicable as drafted to all entities that were not litigants in the case.

FinCEN released a [statement](#) on March 4, acknowledging the court's ruling that the CTA "...exceeds the Constitution's limits on Congress's power and enjoin[s] the Department of the Treasury and FinCEN from enforcing the Corporate Transparency Act against the plaintiffs." FinCEN's statement confirmed that the plaintiffs need not report beneficial ownership information (BOI) to FinCEN at this time. Commentators expect the Department of the Treasury to appeal the court's ruling and similar lawsuits to be filed based on the success of this case.

The Case and Its Outcome

This case ultimately contemplated one question: "Does the Constitution give Congress the power to regulate... millions of entities and their stakeholders the moment they obtain a formal corporate status from a State?" *National Small Business United v. Yellen*, No. 5:22-cv-1448-LCB (N.D. Ala. 2024). The court held that the plaintiffs were entitled to summary judgment as a matter of law because the CTA treads beyond the confines of Congress' enumerated powers and therefore violates the Constitution. *Id.* at 53. "[T]he 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," and thus the court held for the plaintiffs and denied the government's motion to dismiss and alternative cross-motion for summary judgment. *Id.* at 3.

Conclusion

While the plaintiffs' success and the holding are a setback for FinCEN, given the narrow ruling of the court and

the likelihood of appeal, as of now, entities that expect to be subject to the requirements of the CTA as drafted are likely wise to continue to prepare for, and timely comply with, the CTA's requirements while waiting for any appeal and similar litigation to resolve with finality.

We will continue to monitor any further activities related to this case and others like it. If you have questions or concerns about the CTA requirements that may apply to you, please reach out to your primary contact at Troutman Pepper for assistance.

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