



Corporate Transparency Act Faces Constitutional Hurdle

Mar 07, 2024

Categories:

[Corporate
Transparency Act
Publications](#)

Authors:

[Alan K. MacDonald](#)
[Matthew C.
Blickensderfer](#)

On March 1, 2024, a federal district court in the Northern District of Alabama entered a final declaratory judgment concluding that the Corporate Transparency Act (CTA) exceeds the Constitution's limits on congressional power and enjoining the Department of the Treasury and the Financial Crimes Enforcement Network (FinCEN) from enforcing the CTA against the plaintiffs. *National Small Business United v. Yellen*, No. 5:22-cv-01448 (N.D. Ala.)

Specifically, the court's injunction against enforcement of the CTA applies only to the individual plaintiff in the case and the members of the National Small Business Association as of March 1, 2024. FinCEN (the Treasury Department's division charged with CTA enforcement) has issued a statement that implies it will continue to enforce the CTA as to all entities not within the narrow scope of the injunction "as long as it remains in effect."

The injunction and judgment will surely be appealed to the Eleventh Circuit. Even then, an Eleventh Circuit ruling would not be binding outside of Florida, Georgia, and Alabama. As a result, we likely face ongoing uncertainty about the CTA unless and until we get a definitive ruling from the U.S. Supreme Court or congressional action is taken.

In the meantime, we believe it's advisable to treat the CTA as if it is still in full effect (because it is, except for the litigants in the Alabama case). In particular, for new entities formed in the first weeks of 2024, the 90-day reporting deadline may be quickly approaching. A new entity that ignores these initial reporting deadlines would do so at its peril. Entities in existence prior to January 1, 2024, which (unless exempt) have until December 31, 2024, to report, may have more latitude to wait to see how this constitutional challenge plays out—although there is no guarantee it will play out in conclusive fashion before the end of the year. For businesses operating in multi-entity structures with variations in ownership, it would be prudent not to delay beginning an assessment of their reporting obligations for too long, as notifying,

educating and receiving information from numerous investors and their affiliates can be a lengthy process.

In short, while holding an act of Congress unconstitutional is momentous, as a practical matter the decision does not change much in the short term. Companies have the same reporting obligations and deadlines irrespective of the March 1 decision, unless and until Congress, the Supreme Court, or the Treasury Department says otherwise.

For more information or assistance navigating your reporting obligations under the CTA, contact the authors or any member of Frost Brown Todd's [Corporate Transparency Act Team](#).

Frost Brown Todd's Corporate Transparency Act Team is staying up to date on the important rule changes that will likely have significant impacts on your business operations. Click below to read the latest information about the Corporate Transparency Act.

- [**Corporate Transparency Act: Who Can Exert Substantial Influence on My Company?**](#)
- [**Reporting Under the Corporate Transparency Act – Is My Company Exempt?**](#)
- [**FinCEN Announces Proposed Solution to Disclosure Dilemma in the Corporate Transparency Act**](#)
- [**Portfolio Company Reporting Under the Corporate Transparency Act**](#)
- [**The Corporate Transparency Act: Considerations for Effectively Using the FinCEN Identifier**](#)
- [**The Corporate Transparency Act's Impact on the Real Estate Industry: What You Need to Know to Comply**](#)
- [**The Corporate Transparency Act: Targeting Shell Companies for Money Laundering and Financial Crimes**](#)
- [**Transparency Enters A New Stage – Defense Act Anti-Laundering Provisions Now in Place**](#)

[Subscribe to Get CTA Updates](#)

© 2026 FBT Gibbons LLP. May be considered attorney advertising in some jurisdictions.