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## Federal District Court in Alabama Rules Corporate Transparency Act Unconstitutional... But Don't Dismiss It Yet!

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On March 1, 2024, the U.S. District Court of the Northern District of Alabama ruled that the Corporate Transparency Act (“CTA”) is unconstitutional because it “exceeds the Constitution’s limits on the legislative branch” and lacks a nexus to pass the “necessary and proper” test. The CTA currently imposes a new obligation on business entities formed or registered to do business in the United State to disclose their “beneficial owners” and “company applicants” to the Financial Crimes Enforcement Network (“FinCEN”), a bureau of the U.S. Department of the Treasury. The CTA’s intended purpose is to prevent and combat money laundering, terrorist financing, corruption, tax fraud, and other illicit activity.

In September 2022, the plaintiffs—the National Small Business Association (“NSBA”) and one of its members—filed a lawsuit seeking a permanent injunction against the implementation of the CTA and FinCEN reporting rules. The Alabama court’s injunction will only apply to the plaintiffs in the case (NSBA and the singular member). The U.S. Government will likely appeal this decision to the U.S. Court of Appeals for the Eleventh Circuit to seek

an interim stay of the ruling from the trial and appellate courts. As a result, and absent further judicial developments, companies with reporting requirements under the CTA should continue to comply with its requirements going forward.

For information on the CTA and its implications on business entities and individuals, please visit Blank Rome’s summary [here](#).

**For further information and assistance, contact [Thomas A. Cournoyer](#), [Jeffrey M. Rosenfeld](#), [Jason C. Hirsch](#), or another member of Blank Rome’s [Corporate](#) or [Tax](#) practice groups.**

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