

# CORPORATE TRANSPARENCY ACT DECLARED UNCONSTITUTIONAL—WHAT YOU NEED TO KNOW

The Corporate Transparency Act (CTA) was declared unconstitutional by the U.S. District Court for the Northern District of Alabama on March 1, 2024 in *Nat'l Small Bus. United v. Yellen*, No. 5:22-cv-01448-LCB (N.D. Ala. 2022) (Memorandum Opinion and Final Judgment dated March 1, 2024). The CTA, which became effective Jan. 1, 2024, as part of the 2021 National Defense Authorization Act, requires most entities incorporated or formed under state law to disclose personal stakeholder information to the Financial Crimes Enforcement Network (FinCEN), a bureau of the U.S. Department of the Treasury. Please see [Armstrong Teasdale's advisory published previously](#) for more information about the CTA.

In *Nat'l Small Bus. United v. Yellen*, the court stated: "The Corporate Transparency Act is unconstitutional because it cannot be justified as an exercise of Congress' enumerated powers." The court entered a declaratory judgment and permanently enjoined the defendants, along with any other agency or employee acting on behalf of the United States, from enforcing the CTA against the plaintiffs. While this decision is significant, it will almost certainly be appealed. As a result, individuals and businesses subject to the CTA's reporting requirements must carefully consider how to respond to these rulings.

Separately from the CTA, states have shown interest, and in the case of New York, acted, in creating disclosure requirements similar to those contained in the CTA. On Dec. 23, 2023, the New York LLC Transparency Act was signed into law. As a result, beginning on Dec. 21, 2024, most (non-exempt) LLCs formed in New York and LLCs formed in other jurisdictions and authorized to do business in New York will be required to make CTA-like disclosures to the New York Department of State. California is also considering a bill, California Senate Bill 738, which would have CTA-like disclosure requirements for LLCs and corporations.

Armstrong Teasdale will continue to closely monitor this situation and we are prepared to immediately advise clients on how to respond to the recent decision declaring the CTA unconstitutional and any other matters related

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thereto. Please contact your regular AT lawyer or one of the authors for more information.