

Uncertainty Surrounds CTA Reporting After Court Decision

On March 1, 2024, a federal judge ruled for the first time on the constitutionality of the Corporate Transparency Act (CTA). As we explained in our [previous alert](#), the CTA imposes new reporting requirements on millions of business and non-business entities. Due to the recent ruling in *National Small Business United v. Yellen*, the future of the CTA reporting requirements is subject to possible change; however, important deadlines for filing remain.

The Hon. Liles C. Burke of the U.S. District Court for the Northern District of Alabama ruled that the CTA was unconstitutional. This declaratory judgment put in place an injunction preventing the U.S. Department of the Treasury from enforcing the CTA on members of the National Small Business Association (NSBA). Judge Burke reasoned that the CTA surpassed Congress's constitutional authority to regulate foreign affairs and interstate commerce and was not necessary under its powers to tax.

While it is unclear whether this judgment applies to all entities subject to CTA reporting requirements, the Financial Crimes Enforcement Network (FinCEN) is interpreting it narrowly as applying only to the plaintiffs in the case, including more than 65,000 members of the NSBA.

The Department of the Treasury appealed the decision and may request a stay from the U.S. Court of Appeals for the Eleventh Circuit. The timeline for an appeal is uncertain, but it will likely be months before an appellate resolution.

FinCEN has interpreted the judgment narrowly stating that it still expects that new entities formed between January 1, 2024, and December 31, 2024, will file their initial Beneficial Ownership Information reports (BOI reports) with FinCEN within 90 days after formation, and that entities created before January 1, 2024, will file their initial BOI reports with FinCEN by January 1, 2025.

As the applicable deadlines approach, reporting companies should be prepared to file their BOI reports. We will continue to monitor the case and all other updates regarding the CTA. For more information and questions, contact a member of the Corporate Law Practice or your Reinhart attorney.

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