

CORPORATE LAW ALERT

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Corporate Transparency Act: Questions Arise Regarding Enforceability

Late last week, U.S. District Judge Liles C. Burke of the United States District Court for the Northern District of Alabama issued an order declaring that the Corporate Transparency Act (the “CTA”), a federal law that went into effect on January 1, 2024 and which was enacted to combat illicit activity, including, but not limited to fraud, terrorism and money laundering (more information can be found [here](#), [here](#) and [here](#)), is unconstitutional.

The National Small Business Association (the “NSBA”), a non-profit organization with members across the country, sued the U.S. Department of Treasury and requested a permanent injunction against enforcement of the CTA. Judge Burke ruled that, “[because the] 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,” that the CTA is unconstitutional and thus, the NSBA was entitled to summary judgment and the government was enjoined from enforcing the law against the NSBA.

The Alabama decision can be accessed [here](#).

As it stands, the ruling applies only to the plaintiff in the case, NSBA, and potentially, to the members of the NSBA. While it is anticipated that the Department of Treasury will appeal and the question of CTA enforceability will continue to be debated in this or another court, RMF continues to encourage compliance with the CTA. Non-exempt reporting companies in existence on or before January 1, 2024 have one (1) year to file their initial beneficial ownership report. Non-exempt entities formed on or after January 1, 2024 have ninety (90) days from formation or organization to comply.

New York’s LLC Transparency Act will go into effect no later than January 1, 2025 and existing LLCs formed or otherwise qualified to do business in New York must file a separate beneficial ownership report with the New York Department of State (more information can be found [here](#)).

The attorneys at Ruskin Moscou Faltischek, P.C. are continuously monitoring the evolution of the CTA and are here to answer your questions.

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