

CLIENT ALERT

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ORDER ENTERED ENJOINING CORPORATE TRANSPARENCY ACT

by Jon D. Cohen and Mark R. High

On March 1, 2024, a United States District Court in Alabama entered an injunction against the United States “permanently” enjoining the enforcement of the Corporate Transparency Act (the “CTA”). (See Nat’l Small Business United et al., v. Janet Yellen, et al., Case No. 5:22-cv-1448 (N.D. Ala. 2024)). The CTA, which was adopted in 2021 and was effective as of January 1, 2024, is aimed at combatting international money laundering. It requires millions of companies to report information about their Beneficial Owners, i.e., those who ultimately own or control a company, to the Financial Crimes Enforcement Network (FinCEN) of the U.S. Department of the Treasury. Dickinson Wright has previously summarized the CTA in a Client Alert, available [here](#).

In a 53-page opinion, the Court held the CTA to be unconstitutional “because it exceeds the Constitution’s limits on Congress’s power.” Although the decision enjoins enforcement against only the named plaintiffs, this will likely cause great consternation in the marketplace, as companies have been actively collecting information for anticipated CTA filings or have already submitted CTA filings since the start of the year. It is unclear at this point, although likely, that the injunction will be appealed by the federal government, which may seek expedited treatment.

It is also unclear what this may mean for companies that have already filed reports with FinCEN. The CTA’s initial filing deadline for companies formed at the beginning of the year is fast approaching at the end of March, with severe penalties possible for non-compliant Reporting Companies. The FinCEN website does not discuss the injunction or its consequences as of this writing, nor have any federal agency heads made any public statements. We suggest that, given the uncertainty regarding how broadly this ruling might extend, newly formed Reporting Companies facing the 90-day filing deadline continue to submit their information until FinCEN advises otherwise.

Dickinson Wright will follow this matter closely and provide additional updates as more information becomes available.

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