

Finance / White Collar, Government & Internal Investigations

ADVISORY

MARCH 4, 2024

Corporate Transparency Act Under Fire in Narrow District Court Ruling

by [Chip More](#), [Paul Monnin](#), and [Brian Frey](#)

On March 1, 2024, a judge of the U.S. District Court for the Northern District of Alabama issued a memorandum opinion in *National Small Business United d/b/a the National Small Business Association (NSBA) v. Yellen*, No. 5:22-cv-01448 (N.D. Ala.), holding as a matter of summary judgment that: (1) the NSBA has standing to challenge the Corporate Transparency Act's (CTA) constitutionality; and (2) the CTA is unconstitutional because it exceeds Congress's enumerated legislative powers under the Constitution and otherwise is not a necessary and proper means of achieving congressional policy goals.

In its final judgment for the plaintiffs, the court permanently enjoined the Treasury and FinCEN from enforcing the requirements of the CTA solely against the named plaintiffs, which includes the NSBA but not its members. The court did not explicitly enjoin Treasury or FinCEN from enforcing the CTA against non-parties.

This means NSBA members could claim the court's injunction extends to them by virtue of their membership in a named party. But this is largely academic for two reasons. First, an injunction entered in the Northern District of Alabama is limited to parties over which that court has personal jurisdiction, which includes Treasury and FinCEN but not necessarily NSBA members whose only ties to that district are through NSBA's status as a named plaintiff in the action challenging the CTA's constitutionality.

Second, the court has already indicated that it does not believe its injunction extends to unnamed NSBA members by limiting the scope of the injunction solely to enforcement of the CTA against the named plaintiffs. Further, the Justice Department will quickly appeal the court's injunction to the Eleventh Circuit on Treasury and FinCEN's behalf. Because the court's finding that the NSBA has standing to challenge the CTA is a principal foundation of the injunction, if the Eleventh Circuit rules that the NSBA does not have standing to question the CTA, this jurisdictional defect would extend to NSBA members whose injunctive relief claims are derivative of the NSBA's.

As a result, business owners should continue to comply with the CTA and continue compliance efforts as normal.

You can subscribe to future advisories and other Alston & Bird publications by completing our [publications subscription form](#).

If you have any questions, or would like additional information, please contact one of the [attorneys](#) on our [Finance Team](#) or [attorneys](#) from our [White Collar, Government & Internal Investigations Team](#).

ALSTON & BIRD