

Federal Judge Rules Corporate Transparency Act Is Unconstitutional: Takeaways and Next Steps

Update

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On March 1, 2024, the US District Court for the Northern District of Alabama granted summary judgment to Issac Winkles and the National Small Business Association (NSBA), holding that the Corporate Transparency Act (CTA) is unconstitutional because it represents legislative action outside the federal government's enumerated powers. The court issued an injunction for the benefit of the named plaintiffs in the matter. The US Department of Treasury's Financial Crimes Enforcement Network (FinCEN) confirmed in a statement that, in light of the ruling, it would not pursue enforcement actions against Winkles, reporting companies for which he is a beneficial owner or applicant, the NSBA or its members.

Takeaways From the Ruling

The court's reasoning did not rely on facts and circumstances specific to the plaintiffs and, therefore, potentially presents a roadmap for any future plaintiff seeking relief from complying with the CTA. It will be interesting to see if the judgment is appealed and whether other courts grant similar relief.

Continued Compliance

At this time, the Bracewell CTA Task Force suggests that our clients continue with their CTA compliance efforts, unless they are a member of the NSBA that benefits from the judgment. We will continue to monitor developments with the judgment and FinCEN's response.

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