



## Understanding the Recent Ruling on the Corporate Transparency Act

You may have seen news about the Corporate Transparency Act ("CTA") being deemed unconstitutional. Though this is true, it's essential to understand the nuances of the situation, as the headlines can be misleading. While a recent ruling by the U.S. District Court for the Northern District of Alabama in *NSBA v. Yellen* did declare the CTA unconstitutional, it's crucial to note that this decision applies specifically to the plaintiffs in that case—the National Small Business Association ("NSBA"), an individual named Isaac Winkles, and Mr. Winkles' associated entities.

As a result of this ruling, FinCEN has announced that it won't enforce the CTA against Mr. Winkles, his entities, or any entity that is an NSBA member. However, as of March 1, 2024, FinCEN will continue to enforce the CTA against entities not members of the NSBA. According to FinCEN's stance, attempting to join the NSBA after this date to avoid CTA compliance will not be effective.

Despite the ongoing appeals process initiated by the Government, it's essential to understand that the District Court ruling only impacts entities that were members of the NSBA on March 1, 2024 (and continue to be members). If the Government's appeal succeeds, these entities will again be subject to the CTA unless they qualify for an exemption under the statute.

### **Don't Miss the CTA Deadline**

With this news, small and mid-size businesses must stay on target and adhere to the specific CTA guidelines when submitting reports to FinCEN. These reports include details about the company, its beneficial owners, and the individuals who

formed the entity. The reporting process varies depending on the entity's formation date.

### ***Entities Formed Before January 1, 2024 That Are Not Exempt:***

- Must submit their first report by January 1, 2025.
- Are not required to report annually thereafter, but must report if any of the information changes.
- Are not required to report information about the person(s) who formed the entity.

### ***Entities Formed on or After January 1, 2024 That Are Not Exempt:***

- Must submit an initial report within 30 days after formation.
- Are not required to report annually thereafter, but must report if any of the information changes.
- Must report information about the person(s) who formed the entity.

Regardless of your entity's formation date, it's crucial not to wait until the deadline approaches. Contact your trusted CPM attorney or any member of our Business Law or Family Wealth and Estate Planning team today to ensure compliance and receive comprehensive guidance on the key reporting details.