

Anti-Money Laundering

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District of Oregon Holds Corporate Transparency Act Likely Constitutional; Denies Preliminary Injunction

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On September 20, the District Court for the District of Oregon denied a motion for a preliminary injunction enjoining enforcement of the Corporate Transparency Act (CTA) on the basis that the plaintiffs' claim that the CTA was unconstitutional was not likely to prevail.¹ This is the first federal court to have addressed the issue of the CTA's constitutionality since the District Court for the Northern District of Alabama held earlier this year that the CTA exceeded Congress' authority and was, thus, not constitutional. That case is currently on appeal to the Eleventh Circuit, which will hear oral arguments this week.² Similar cases are currently pending in federal district courts in Maine, Massachusetts, Michigan, Ohio, Texas, and Utah.³

In the Oregon case, seven plaintiffs challenged Congress' authority to enact the CTA under the Commerce Clause and multiple other constitutional grounds, all of which the court rejected as unlikely to succeed on the merits. Among other things, the plaintiffs notably contended that the CTA "exceeds Congress' authority under Article I of the United States Constitution and imposes excessive fines and cruel and unusual punishment in violation of the Eighth Amendment."⁴

The Oregon court concluded that the plaintiffs' constitutional arguments were unlikely to succeed on the merits, affirming that the CTA is a legitimate exercise of Congress' broad authority to regulate entities involved in interstate and foreign commerce. The court further emphasized that the CTA aims to combat money laundering and terrorism financing by requiring transparency in corporate ownership, thereby serving significant governmental interests.⁵

The court's opinion arrives just days ahead of oral arguments scheduled for September 27 in the government's appeal of *Nat'l Small Bus. United d/b/a Nat'l Small Bus. Ass'n v. Janet Yellen* before the Eleventh Circuit. In that case, the District Court for the Northern District of Alabama held the CTA to be unconstitutional on the grounds that Congress exceeded its powers to regulate interstate commerce, oversee foreign affairs and national security, and impose taxes. Notably, however, the decision was limited to the plaintiffs in that case.⁶ For further details, please see our prior alerts on the CTA, including our discussion of the Northern District of Alabama opinion, [here](#).

With the deadline of January 1, 2025, looming for entities formed prior to 2024 to file their initial reports, we encourage clients to remain compliant with the CTA's requirements and to follow our client alerts on the subject. For any questions about this update, please contact one of the listed authors of this client alert directly or our entire CTA team, collectively, at LSAMLTeam@lowenstein.com.

¹ *Michael Firestone, et al. v. Janet Yellen*, Case No. 3:24-cv-1034, Dkt. No. 18 (D. Or. Sept. 20, 2024).

² *Nat'l Small Bus. United d/b/a Nat'l Small Bus. Ass'n v. Janet Yellen*, Case No. 5:22-cv-01448, Dkt. No. 52 (N.D. Ala. Mar. 1, 2024); see also Hearing Schedule for the United States Court of Appeals for the Eleventh Circuit, available [here](#).

³ *William Boyle v. Janet Yellen*, Case No. 2:24-cv-00081 (D. Me. filed Mar. 15, 2024); *Black Econ. Council of Mass., Inc. v. Janet Yellen*, Case No. 1:24-cv-11411 (D. Mass. filed May 29, 2024); *Small Bus. Ass'n of Mich. v. Janet Yellen*, Case No. 1:24-cv-00314 (W.D. Mich. filed Mar. 26, 2024); *Robert J. Gargasz Co. LPA v. Janet Yellen*, Case No. 1:23-cv-02468 (N.D. Ohio filed Dec. 29, 2023); *Texas Top Cop Shop, Inc. v. Merrick Garland*, Case No. 4:24-cv-00478 (E.D. Tex. filed May 28, 2024); *Taylor v. Janet Yellen*, Case No. 2:24-cv-00527 (D. Utah filed July 29, 2024).

⁴ *Firestone*, 3:24-cv-1034, Dkt. No. 18 at 1.

⁵ See generally *id.*

⁶ See *Nat'l Small Bus. United*, Case No. 5:22-cv-01448, Dkt. No. 52 at 2 ("The Defendants, along with any other agency or employee acting on behalf of the United States, are PERMANENTLY ENJOINED from enforcing the Corporate Transparency Act against the Plaintiffs.").

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