New Complaint Filed Challenging the Constitutionality of the Corporate Transparency Act.

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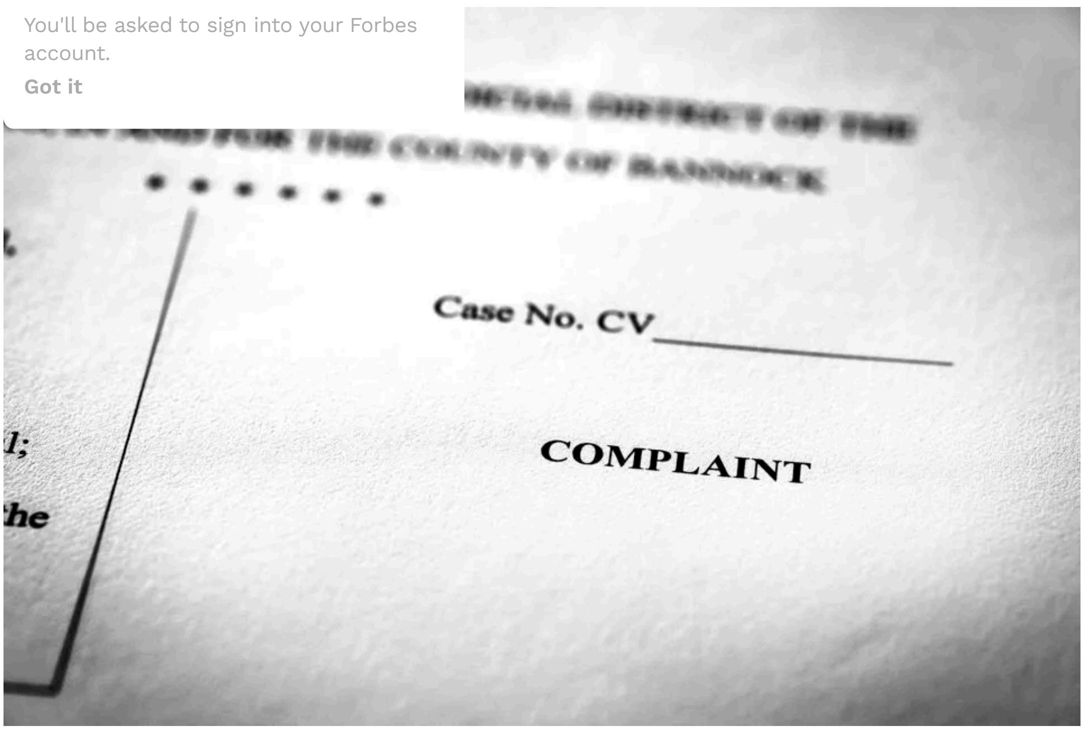

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A recent lawsuit has been filed in the Federal District Court in Maine , William Boyle v. Yellen (Case 2:24 – cv- 00081), that mirrors case in Federal District Court for the District of Alabama, National Small Business Association v. Yellen, (Case No. 5:22-cv-01448) where the District Court deemed the Corporate Transparency Act (CTA) unconstitutional. This new legal challenge also disputes the CTA's constitutionality, presenting three main arguments:

Infringement on State Authority: The lawsuit posits that the CTA unlawfully infringes upon state sovereignty in the realm of corporate entity regulation. It argues that the primary authority to charter and govern corporate entities rests with the states. By imposing a federal standard for incorporation, the CTA allegedly oversteps Congress's powers and contravenes the principles of federalism and state autonomy.

Overreach of Congressional Authority: According to the complaint, the regulation of corporate formation lies outside Congress's enumerated powers, such as managing foreign affairs, regulating commerce (foreign, interstate, or with Indian tribes), or levying taxes. The formation of a "reporting company" is described as a local act that bears no relation to foreign affairs or national security, noting that many such companies may not partake in commerce across state lines, with foreign nations, or with Indian tribes.

Coercing State Agencies: The plaintiff asserts that the CTA compels state agencies to inform entities about the CTA's reporting requirements and to distribute the CTA filing form. This requirement is said to violate the principles of federalism by undermining state sovereignty.

Infringement of Personal Rights: The plaintiff contends that the Corporate Transparency Act (CTA) infringes upon his rights by mandating the disclosure of sensitive personal information to the Financial Crimes Enforcement Network (FinCEN), a division of the Treasury Department focused on criminal enforcement, merely because he is the "beneficial owner" of certain real estate holding limited

liability companies.

Arguments challenging the legitimacy of the case against the CTA might include:

Constitutional Authority: Advocates for the CTA could argue that Congress possesses the constitutional right to enact this law, leveraging its authority to regulate interstate commerce and impose taxes. The CTA is viewed as a tool to oversee commercial activities significantly impacting interstate commerce, especially crucial in the fight against money laundering and financial crimes that frequently transcend state and national borders.

National Security and Public Welfare: The government could argue that the CTA is pivotal in bolstering national security and thwarting illegal financial operations. The collection of beneficial ownership information is designed to prevent the misuse of shell companies for money laundering, financing terrorism, and other illicit activities threatening national security.

Legal Precedence and Existing Regulations: Proponents of the CTA might reference current regulations and precedents mandating the disclosure of personal information for regulatory and law enforcement objectives. For instance, the Bank Secrecy Act and the USA PATRIOT Act already enforce specific reporting obligations on financial institutions to combat money laundering and terrorism financing.

Privacy and Data Protection: Although plaintiffs argue the CTA infringes upon privacy rights, the government could maintain that the Act incorporates measures to ensure the confidentiality and security of the disclosed information. Access to the beneficial ownership database is limited to authorized government bodies and financial institutions under specific conditions, with stringent penalties for unauthorized access.

Scope and Exemptions: The government may highlight that the CTA's mandates are narrowly defined, offering exemptions for specific organizations, including publicly traded companies, as well as entities with more than 20 full-time employees and over $5 million in yearly gross revenue. This point could serve to rebut claims that the Act places an excessive burden on small businesses.

Federal Authority: Against the critique that the CTA encroaches upon states' rights to oversee business formations, supporters could argue that the federal government possesses a valid interest in overseeing corporate entities that exert a national influence. This includes the prevention of financial crimes that transcend state lines.

The legitimacy of these arguments will ultimately be adjudicated by the courts, evaluating them against the U.S. Constitution, the extent of Congressional authority, and the equilibrium between regulatory objectives and individual freedoms. Nonetheless, the arguments supporting the CTA's constitutionality are persuasive enough to ensure ongoing compliance by recording companies with the Act's stipulations and deadlines, as it stands as the prevailing law.

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