

**INSIGHTS ALERT**

# The Corporate Transparency Act: Nationwide Injunction Brings Relief to Businesses



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In a significant ruling, U.S. District Judge Amos Mazzant issued a nationwide injunction halting the enforcement of the Corporate Transparency Act (CTA). This decision has far-reaching implications for businesses, particularly those grappling with the complexities of compliance. Designed to curb money laundering and illicit financial activity, the CTA would have required businesses to report their beneficial ownership information to the Financial Crimes Enforcement Network (FinCEN) by January 1, 2025. However, the court's decision has now paused these requirements, raising critical questions about federal authority and corporate governance.

## WHAT IS THE CORPORATE TRANSPARENCY ACT?

The CTA, enacted as part of the Anti-Money Laundering Act of 2020, aimed to combat financial crimes by increasing transparency. It mandated that companies, limited liability companies (LLCs), and other corporate entities disclose detailed information about their beneficial owners to FinCEN. Noncompliance could result in significant penalties, including fines and imprisonment.<sup>[1]</sup>

While well-intentioned, the Act faced substantial criticism for its sweeping reach and potential burdens on small businesses. Many argued that the law imposed onerous compliance requirements, particularly for companies with limited administrative capacity or complex international structures<sup>[2] [3]</sup>.

## THE CONSTITUTIONAL DEBATE

Judge Amos Mazzant's ruling centered on the separation of powers and Congress's authority under the Constitution. Specifically, the court examined whether the CTA aligned with Congress's constitutionally enumerated powers, such as regulating interstate commerce and addressing foreign affairs<sup>[4]</sup>.

Judge Mazzant concluded that the Act exceeded these powers, particularly by infringing on states' authority to regulate corporate governance. The ruling emphasized that states, not the federal government, have historically managed corporate administrative requirements. Forcing companies

to report beneficial ownership data to a federal agency without clear constitutional authorization undermines this principle【5】.

Judge Mazzant also noted that the CTA's enforcement mechanisms conflicted with privacy concerns. By requiring the disclosure of sensitive financial information without adequate safeguards, the law raised significant constitutional issues【6】.

## WHAT THIS MEANS FOR BUSINESSES

The injunction provides a much-needed reprieve for businesses, particularly small and medium-sized enterprises that would have faced increased administrative burdens under the CTA【7】.

Companies can now pause preparations for compliance, saving time and resources. For foreign entrepreneurs and companies operating in the U.S., the ruling removes a major hurdle. Many Latin American businesses, for instance, had expressed concerns about the Act's impact on their operations. The CTA would have required international firms to navigate a complex regulatory landscape, potentially discouraging investment in the U.S. market【8】.

Additionally, the ruling highlights the importance of states' role in regulating corporate entities. Businesses incorporated in states like Delaware, known for their business-friendly laws, will continue to benefit from their regulatory frameworks without federal interference【9】.

## AN INTERNATIONAL PERSPECTIVE

For companies in Latin America, the injunction against the CTA is particularly impactful. Entrepreneurs from countries like Mexico, Colombia, and Brazil had raised alarms about the potential for overlapping compliance obligations between U.S. federal requirements and their home countries' regulations. This decision alleviates these concerns and ensures that international businesses can focus on growth rather than navigating new compliance mandates【10】.

For instance, many Latin American firms rely on LLCs or Delaware corporations to access the U.S.

market. The CTA's reporting requirements would have added significant complexity to these structures, potentially deterring cross-border investment. The injunction preserves the simplicity and efficiency of these entities, reinforcing the U.S. as a favorable destination for foreign entrepreneurs【11】

## CONCLUSION

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## REFERENCES

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## Ubicación relacionada

Latinoamérica

Estados Unidos

## Temas relacionados

Ley de Transparencia Corporativa

Regulación financiera

Separación de poderes

Impacto en pequeñas y medianas empresas

Inversión extranjera y cumplimiento normativo

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