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NSBA Files Lawsuit Challenging Burdensome Federal Small Business Mandate

WASHINGTON, D.C. – The National Small Business Association (NSBA) today announced the filing of a constitutional challenge to the Corporate Transparency Act of 2019 (CTA)—also known as “Beneficial Ownership” rules. Under the CTA, the federal government is mandating small business owners to undergo a duplicative and burdensome paperwork process - punishing small businesses at a time when every dollar, employee and lost hour counts.

NSBA filed suit this morning in U.S. District Court for the Northern District of Alabama, alleging: the CTA infringes on the States’ inherent and sovereign powers over the formation and governance of entities; does not regulate commerce under Congress’ power to do so; infringes upon an individual’s rights to apply for, form, own, and provide for the self-governance of entities under State law; and much more.

“The CTA is a poorly thought out and heavy-handed federal mandate that will be a bureaucratic nightmare for small-business owners,” said NSBA President and CEO Todd McCracken. “If implemented, small businesses will be forced to spend millions of hours and billions of dollars on paperwork instead of creating jobs and helping grow our economy.”

Under the CTA, the federal government is creating a national registry that would require small-businesses owners to submit detailed personal information. Existing rules—the Customer Due Diligence framework—currently require banks to collect information to provide ownership verification. These financial institutions also are required to monitor and report suspicious activities to FinCEN and law enforcement.

“The CTA is simply passing the buck from big banks—which have legions of staff to absorb this kind of reporting requirement—to small businesses like mine,” stated NSBA Chair Mike Stanek from Berea, Ohio. “A simple mistake has the potential to land a small-business owner in jail for as long as two years.”

NSBA is seeking to overturn the CTA’s unconstitutional national mandate and an immediate injunction of the implementation of FinCEN’s rule, to protect small-business owners while the litigation moves forward.

Please [click here](#) to learn more.

Celebrating more than 85 years in operation, NSBA is a staunchly nonpartisan organization advocating on behalf of America’s entrepreneurs. NSBA's 65,000 members represent every state and every industry in the U.S., and we are proud to be the nation’s first small-business advocacy organization. Please visit www.nsba.biz or [@NSBAAdvocate](https://twitter.com/NSBAAdvocate).

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