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PRESS RELEASE

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Oregon Small Business Owners Appeal Court Decision Upholding Invasive Federal Reporting Mandate as December 31 Deadline Closes In

The Corporate Transparency Act Violates Tens of Millions of Small Business Owners' Rights to Speech and Privacy.

PORTLAND, OR & WASHINGTON, DC – A coalition of small businesses from around Oregon is challenging the Corporate Transparency Act (CTA), a federal surveillance law that requires 32 million small businesses to report confidential information to federal law enforcement or face civil and criminal penalties. The Center for Individual Rights and attorneys Thomas R. Rask, III and Julie Parrish of Kell, Alterman & Runstein L.L.P. are jointly representing the businesses in an appeal to the Ninth Circuit.

The Corporate Transparency Act requires organizations registered with states or tribal authorities to file reports containing confidential information with the Financial Crimes Enforcement Network (FinCEN) of the U.S. Department of the Treasury by no later than December 31, 2024. The reports must identify and provide personal information about each entity's "beneficial owners." Beneficial owners are vaguely defined but include any person who exercises sufficient direct or indirect, formal or informal control of the entity.

Although it was enacted to combat financial crime, the law exempts large corporate entities and financial firms, leaving mostly small businesses and some non-profit organizations to comply. Failure to comply with CTA reporting can result in uncapped and unlimited daily civil penalties of up to \$500 per day, and criminal sanctions of up to \$10,000 in fines and up to two years' imprisonment, or both.

"I can't understand why the CTA exempts large corporations but threatens small business owners with criminal penalties unless we give up sensitive information to the federal government without any lawful purpose," said Lisa Ledson, one of the plaintiffs and owner of an Oregon-based health care firm. Ledson stated that under Oregon state rules related to the nursing profession, she would have to self-report any sanctions made against her by FinCEN to the nursing board, which would

put her at risk of losing her nursing license.

Seven individual Plaintiffs in Oregon filed a lawsuit challenging the CTA on the grounds that Congress has no authority under the Constitution to compel businesses to disclose private information to federal law enforcement. They also argue that CTA violates their right to free association guaranteed by the Constitution's First Amendment, and the right to be free from warrantless searches under the Fourth Amendment.

“My consulting company works closely with politicians and government officials who share the same political viewpoints on issues of passionate public debate,” said Lindsay Berschauer owner of Leona Consulting Co. “It makes me very nervous to think that the people involved in that political activity will be monitored by the federal government.”

On November 22, 2024, the plaintiffs filed an emergency application with the Ninth Circuit to stop the CTA from taking effect until after litigation is complete.

“Small businesses and community organizations without an exemption deserve to have a reprieve while this confusing and vague law is further debated. The cost of compliance is high, the risk of penalties and sanctions is even higher,” said Rask, the trial litigator for the Plaintiffs.

Parrish explained the difficulty many small businesses are having as the deadline for compliance looms and as they try to determine how the law impacts them. “Our firm stands by ready to help people understand the law, but we’re also committed to going to the mat to protect the civil rights of Oregon small business owners,” she said.

The Center for Individual Rights (CIR) has joined the litigation to lead the appeal. CIR is a national public interest law firm that represents clients free of charge to advance civil liberties and limit government power and abuse. CIR is simultaneously challenging the CTA in Texas on behalf of several small businesses and nonprofit organizations including the National Federation of Independent Business, which represents 300,000 small businesses nationwide. A motion for preliminary injunction is pending in the Texas case and is expected in the next few weeks.

“The Constitution nowhere authorizes Congress to engage in indiscriminate surveillance of small businesses and nonprofits by demanding they disclose private records relating to who directly or indirectly controls them,” said Caleb Kruckenberg, the Litigation Director for the Center for Individual Rights. “As the deadline approaches for businesses to file reports, we are urging the Ninth Circuit to stop this unconstitutional intrusion from taking effect.”

About the Center for Individual Rights

The Center for Individual Rights is a national public interest legal organization that provides free representation to clients whose rights have been violated or are seriously threatened. Celebrating its 35th year, CIR has an impressive record of landmark victories in the Supreme Court of the United States and many other courts, setting legal precedents that restore and protect fundamental individual rights that are necessary for a flourishing and free society.

About Kell, Alterman & Runstein, L.L.P.

Kell, Alterman & Runstein, L.L.P. is a Portland, Oregon law firm that advises businesses and represents parties in civil litigation matters. Hundreds of the firm's business clients may be subject to the CTA. Thomas R. Rask, III is the firm's managing partner. Julie Parrish is a former State Representative who served in the Oregon Legislature for four terms and now works at the firm. Parrish comes to her practice of law with the belief that the law is an equalizer amongst people, and it should be applied fairly to everyone.