



555 12th St NW, Suite 1001
Washington, D.C. 20004

1-800-552-5342
NFIB.com

April 30, 2024

The Honorable Roger Williams
Chairman
Committee on Small Business
U.S. House of Representatives
Washington, D.C. 20515

The Honorable Nydia Velazquez
Ranking Member
Committee on Small Business
U.S. House of Representatives
Washington, D.C. 20515

Dear Chairman Williams and Ranking Member Velazquez,

On behalf of NFIB, the nation's leading small business advocacy organization, I write regarding the hearing entitled, "Under the Microscope: Examining FinCEN's Implementation of the Corporate Transparency Act." NFIB's nearly 300,000 small businesses appreciate the opportunity to discuss their concerns with the burdensome beneficial ownership reporting requirement and the need for Congress to repeal the poorly written, ambiguous Corporate Transparency Act (CTA).

On January 1, 2021, the CTA was signed into law as part of the William M. (Mac) Thornberry National Defense Authorization Act for Fiscal Year 2021.¹ In doing so, Congress imposed one of the most expansive small business regulations in history as an amendment to an unrelated and must-pass bill.

For many years, NFIB opposed Congressional efforts to impose these vague and arbitrary reporting requirements on the smallest businesses. However, Congress ultimately ignored the concerns of small businesses and rammed through a burdensome law that affects 32.6 million small businesses in 2024 and 5 to 6 million small businesses every year thereafter. According to FinCEN, the regulatory costs of the CTA is a whopping \$22.7 billion in 2024 and \$5.6 billion every year after.²

¹ TITLE LXIV—ESTABLISHING BENEFICIAL OWNERSHIP INFORMATION REPORTING REQUIREMENTS, William M. (Mac) Thornberry National Defense Authorization Act for Fiscal Year 2021, Public Law 116-283, January 1, 2021, <https://www.congress.gov/116/plaws/publ283/PLAW-116publ283.pdf>

² Beneficial Ownership Information Reporting Requirements, Final Rule, Financial Crimes Enforcement Network, September 30, 2022, <https://www.regulations.gov/document/FINCEN-2021-0005-0461>.

According to a recent survey, 83 percent of NFIB members are not familiar with the beneficial ownership reporting requirements that went into effect on January 1, 2024.³ However, if these businesses fail to comply with a law they overwhelmingly don't know exists, they could face up to a \$10,000 fine and 2 years in prison.

Through the CTA, Congress has subjected tens of millions of law-abiding small business owners across the country to criminal penalties for simple paperwork violations. Members of Congress often talk about reducing red tape for small businesses. However, Congress largely ignores this massive new burden on small businesses it created in 2021.

As more business owners become aware of these requirements and the penalties for noncompliance, the calls to repeal the CTA will increase. Thankfully, Senator Tommy Tuberville and Representative Warren Davidson's *Repealing Big Brother Overreach Act* will repeal the vague and burdensome law. Senator Tuberville and Representative Davidson understand this is not an agency implementation problem, it is a problem with the law that gave the government a new, broad data collection and enforcement authority.

By introducing this legislation, Senator Tuberville and Representative Davidson have heard the concerns of small business owners and are taking action. Small businesses are grateful for their leadership and hope the members of this Committee will cosponsor the legislation to repeal the CTA. To further highlight the need to repeal the CTA, please see the stories of small business owners that are included with this statement.

NFIB appreciates your leadership to eliminate red tape for small businesses and encourages you to repeal the Corporate Transparency Act. We look forward to working with you on ways to provide small businesses relief during the remainder of the 118th Congress.

Sincerely,



Josh McLeod
Director, Federal Government Relations
NFIB

³ Holly Wade, *Financing Sales Survey*, NFIB Research Center, December 2023, <https://strgnfibcom.blob.core.windows.net/nfibcom/Financing-Sales-Survey.pdf>.



Company Name: Rendex, Inc.T/A Integrated Services Group and Events

Location: North Haledon, NJ

Number of Employees: 2

Beneficial Ownership Impact:

I am a micro business owner serving other small business owners.

I help my clients with any administrative forms or requests they RECEIVE from the state, IRS, their insurance companies, etc.

Unfortunately, none of us received a notification of this new requirement. One of my clients learned about it on TIKTOK?!

When I began researching this registration, there were two forms. I couldn't determine which one to complete. I began contacting FINCEN by email, asking for a phone number, help and/or an explanation of each form.

I only received form letter responses, no phone number and no assistance to complete a form asking for information it seems is readily available from any state or federal tax return or incorporating documents. AND, now there seems to only be one form.

My clients can barely afford to pay me, especially since the government obliteration of small business during COVID, now, we are expected to find time and money to complete this redundant registration that we found accidentally.

Hasn't small business been through enough? We can't afford employees with the increase in minimum wage, supplies, taxes and insurance, and now we spend our day filling out reports. Why wasn't this better communicated? Why was it only advertised on TikTok? Why didn't businesses receive a professional letter in the mail? Learning about it the way I did made me think it was a scam or is this a way to purposely keep businesses owners uninformed so that they end up paying a fine? Who will help and why is it necessary? Why isn't there a phone number to reach someone to answer questions and assist with complying with this new order? Lastly, in searching for more information, I read that in March, it was [correctly] deemed unconstitutional. So, is it still required?

Company Name: Brady's Plant Ranch, LTD

Location: Idaho

Number of Employees: 17

Beneficial Ownership Impact:

We are a small family farm.

We already report and pay taxes, corporate taxes, unemployment taxes, payroll taxes, sales taxes, corporate filings, state licenses, insurance premiums, etc. We have no accountants or lawyers on retainer. They help on an as-needed basis. We just don't have the money for such.

Here is another level of bureaucracy trying to essentially put us out of business. We employ more stay-at-home moms, teenagers, and entry-level people than any other business in our local area. This BOI reporting is literally a slap in the face, if not an uppercut, to a little business trying to provide a community service.

We are seriously approaching the "straw that breaks the camel's back" so to speak. And what is magic about 20 employees? Please give us a break. Thank you.



Company Name: Data Comm for Business, Inc.

Location: Illinois, Texas

Number of Employees: 12

Beneficial Ownership Impact:

The BOI is duplicative, expensive, burdensome, unnecessary. The BOI reporting requirement is a disincentive to creating a business. Just one more thing to distract a business from doing its business.

The BOI requirement is duplicative of information available in personal and corporate tax returns, FinCEN Form 104 reporting, publicly available incorporation information.

The BOI requirement for a new FinCEN ID (12-digit number) is duplicative of FEIN and SSN numbers.

The website for BOI has the insulting implication in its heading of assumption of guilt. The heading is "FINANCIAL CRIMES ENFORCEMENT NETWORK".

The Federal Register reporting costs to corporations initially and annually totals billions of dollars and are understated in the analysis. The FinCEN estimate of \$85.14 to prepare and submit an initial BOI report is grossly understated. The Q&A at this web link (https://www.fincen.gov/boi-faqs#D_1) requires a man-day to read and digest. There are 98 points A to O each elaborated with hundreds of words of text, tables, and flow charts. The Federal Register comments alone are 100 pages plus about 446 footnotes. A man-week to just understand this is a more reasonable estimate of cost.



Company Name: *Grazing Systems Supply, Inc.*

Location: Batesville, Indiana

Number of Employees: 4

Beneficial Ownership Impact:

As a part-time Agriculture Supply Business humbly beginning 35 years ago it quickly turned into our full-time occupation. We continue to supply customers and do community service. We, like the majority of small businesses, are making a living but far from being rich. We work more hours per week than any Federal Government employee, pay our bills, pay our taxes, play by the rules and follow the law. We battle the competition, the economy, the markets, the weather and the out-of-control Federal Government regulations.

Concerning Beneficial Ownership Information Reporting (BOIR), what's "*Beneficial*" to small businesses or the American public about having another federal regulation to deal with? And **NOW** a small business with two locations located in two small towns in Indiana with 4 employees and one bank account needs to be over-seen by the Financial Crimes Enforcement Network of the U.S. Dept. of the Treasury. BOIR isn't about bad actors, ill-gotten gains, shell companies or money laundering because the IRS already knows that information by accessing our tax returns and bank records. This **IS** all about **government control** and **the destruction of small businesses**. 95% of the small business community has neither the resources, lawyers, accountants or time to deal with it all.

My final thought about BOIR comes from a sentence taken from our Declaration of Independence. The writers were referring to the King of Great Britain as "He". But substituting "our Federal Government" in place of "He", I quote: "He has erected a multitude of new offices and sent hither swarms of officers to harass our people and eat out their substance."