

April 29, 2024

The Honorable Tommy Tuberville
United States Senate
455 Russell Senate Office Building
Washington, DC 20510

The Honorable Warren Davidson
United States House of Representatives
2113 Rayburn House Office Building
Washington, DC 20515

Dear Senator Tuberville and Congressman Davidson:

The undersigned organizations, representing millions of small businesses, strongly support legislation to repeal the Corporate Transparency Act (CTA). Your bill, appropriately entitled the “Repealing Big Brother Overreach Act,” would put an end to this poorly constructed and onerous reporting regime.

The CTA was designed to help law enforcement prevent money laundering by requiring shell companies to report information regarding their beneficial owners (BOI) to the Department of Treasury. The law, however, defines a shell company as any legal entity with 20 or fewer employees or \$5 million or less in revenues. In other words, every small business in the United States.

The concept of beneficial owner is broadly defined as well, and includes owners, senior management, members of the board, and any employee or outside consultant exerting significant control over the businesses’ operations.

Covered entities must report and regularly update the personal information of their “beneficial owners” to the Treasury Department’s Financial Crimes Enforcement Network (FinCEN) or face significant fines and jail time.

As a result of this broad sweep, FinCEN expects to collect over 32 million submissions just this year, with an additional five million annual submissions thereafter. Multiply 32 million by the number of beneficial owners per entity, and it becomes apparent that the CTA reporting regime is likely the biggest data collection regime in the history of the federal government outside of the Tax Code.

Despite its unprecedented scope, we expect the CTA to be of little practical use to law enforcement, as criminals are unlikely to accurately self-report their information to FinCEN. Meanwhile, because the CTA targets entities with low revenues and few employees, the brunt of its reporting burden and excessive penalties will be shouldered by law-abiding, Main Street businesses.

Last month, the District Court for the Northern Alabama ruled the CTA exceeded the Constitution’s enumerated powers and was therefore unconstitutional, but the resulting injunction applies to the plaintiffs only – members of the National Small Business Association. As a subsequent notice from FinCEN made clear, all other covered entities are still required to file their BOI reports by the end of the year.

Your legislation would put an end to this remarkable overreach by repealing the CTA in its entirety. It would end this unnecessary reporting regime before it gets started and it would give Congress the opportunity to craft a better approach that balances our national security needs with the interests and rights of law-abiding small business owners.

The undersigned organizations are grateful for your efforts and strongly support this legislation.