

REPEAL THE CORPORATE TRANSPARENCY ACT (CTA)

SEPTEMBER 2024

The CTA is an unconstitutional law that is harming small-businesses.

The Corporate Transparency Act (CTA) was signed into law Dec. 2020 and is just beginning to go into effect. This law will require **ONLY** certain businesses with fewer than 20 employees to disclose beneficial owners' information to the Department of Treasury's Financial Crimes Enforcement Network (FinCEN), establishing a database of those names and duplicating information already being collected by the IRS.

The CTA requires businesses to submit annual paperwork, which includes personally identifiable information of each business owner, upon the creation of the business and periodically throughout its life. Intentional or otherwise, failure to comply would be a federal crime and could result in civil penalties up to \$10,000, as well as criminal penalties of up to two years in prison. Furthermore, the legislation grants broad access to the information to federal, state, local, or tribal law enforcement agencies without having to obtain a subpoena.

The CTA is causing unnecessary, unconstitutional burdens and uncertainty for small business.

- Large companies are mostly exempt from the Corporate Transparency Act—only those with 20 or fewer employees and \$5 million or less in annual sales need to report ownership information to FinCEN.
- As a result of this law, millions of small-business owners will be faced with an additional \$5.7 billion in regulatory paperwork. It imposes burdensome, duplicative reporting on the smallest businesses in the U.S. and it threatens the privacy of law-abiding, legitimate small-business owners.
- More than 4.9 million businesses will be required to provide personal ownership information to FinCEN on an annual basis. The Treasury Department would be required to retain the information for the life of the business plus five years.

During previous testimony before the Senate Finance Committee, Treasury Secretary Janet Yellen said she believes anonymous shell companies are an "important problem," further championing creation of a beneficial ownership database at FinCEN as a "very high priority."

Read more about NSBA's work over the CTA at:

NSBAadvocate.org/CTA

WORKING SOLUTIONS

While NSBA supports the goal of stemming money laundering, the CTA is unconstitutional and bad policy, especially since the information is already being collected. To protect small business owners from these costly, duplicative, and uninformed mechanisms, NSBA has filed suit against Treasury seeking to overturn the CTA's unconstitutional national mandate and has prevailed at the Federal District Court level. However, the government has appealed the decision, and, while the suit continues, Congress can also take action.

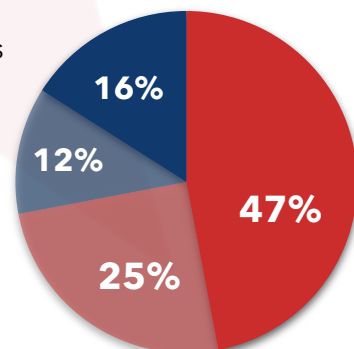
- Treasury should use existing forms and databases for collecting ownership information.
- Lawmakers should seek every avenue possible to repeal the CTA and stop proposed regulations from going into effect.
- Any proposal to stem money-laundering **MUST** require information sharing between FinCEN and the IRS and carve out an exemption for small businesses.
- Small business should **NOT** be penalized due to big banks' unwillingness to collect and report on information they have historically collected.

NSBA regularly conducts surveys among our members and small-business owners to produce insights that drive our Priority Issues and influence important initiatives in Washington and across the country.

As part of NSBA's recent CTA survey, nearly 75% of respondents indicated they did not know about or fully understand the CTA's requirements.

Explore more insights from NSBA's survey collection at:

NSBAadvocate.org/surveys



■ Unfamiliar with CTA ■ Unclear with CTA
■ Aware, but Exempt ■ Aware, and Filing



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