March 19, 2024

The Honorable Sherrod Brown Chairman, Committee on Banking United States Senate Washington, D.C. 20510 The Honorable Tim Scott Ranking Member, Committee on Banking United States Senate Washington, D.C. 20510

Dear Chairman Brown and Ranking Member Scott:

The undersigned organizations, representing millions of small businesses, urge you to delay the filing deadlines of the Corporate Transparency Act by passing S 3625, the Protect Small Business and Prevent Illicit Financial Activity Act introduc45w2\$2(oy)-(ASena)101otr (d)3(ecisio)-4(n)3(in)]TJETQD.000009120612792 reW^{*}nl

Background

The CTA began as an earnest attempt to combat illicit financial activity but has morphed into a

ting requirements while putting their sensitive personal information at risk. Failure to comply with the new statute even in cases amounting to nothing more than a paperwork violation can result in stiff fines and criminal penalties.

This burden is not evenly distributed across

requirements apply only to entities with 20 or fewer employees or less than \$5 million in revenue.¹ Thus, of the 32.5 million entities that FinCEN estimates² will be affected by the law, the vast majority will be small businesses the very companies least equipped to shoulder the regulatory burden imposed by the CTA.

Court Challenge

Earlier this month, the United States District Court for the Northern District of Alabama ruled that the

¹ 31 CFR 1010.380

² Financial Crimes Enforcement Network. *Program Summary by Budget Activity*. <u>https://home.treasury.gov/system/files/266/13.-</u> FinCEN-FY-2024-BIB.pdf

³ National Small Business United et al v. Yellen et al, No. 5:2022cv01448 - Document 51 (N.D. Ala. 2024)

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⁹ Meanwhile,

as a Tax Notes article highlighted, while the accounting community is best positioned to educate their small business clients regarding their filing obligations under the CTA, they are precluded from doing so it could constitute practicing law without a license.

Both the business community and FinCEN have made strenuous efforts to educate small business owners as to their new obligations, but it is obvious more time is needed. Congress did not enact the CTA in order to turn millions of law-abiding small business owners into felons.

Action Requested

Fortunately, there are multiple efforts underway to give small businesses the relief they need from this onerous statute. A group of 80 of your colleagues recently wrote to Secretary Yellen urging a delay of the CTA¹⁰

their new obligations.

Legislation which would delay implementation of the CTA (H.R. 5119) passed the House late last year with a bipartisan 420-1 vote, while its companion introduced by Senator Scott (S 3625) has been referred to the Senate Banking Committee. A one-year delay, as called for in H.R. 5119, would give the court process time to reach a conclusion, grant small businesses much-needed time to fully understand these latest developments and afford FinCEN and the business community the opportunity to continue their education and outreach efforts to ensure that all covered small businesses are aware of their new reporting obligations.

For these reasons, the undersigned organizations strongly urge you to adopt S 3625 small businesses the time they need to learn about the new CTA compliance obligations, as well as the Courts time to fully

Sgned,

Agricultural Retailers Association AICC, The Independent Packaging Association Air Conditioning Contractors of America American Building Materials Alliance American Council of Engineering Companies American Council of Independent Laboratories American Dental Association American Farm Bureau Federation American Financial Services Association American Foundry Society American Hotel & Lodging Association

⁹ National Federation of Independent Business Research Center. *Financing Sales Survey, December 2023*, pp. 5. <u>https://strgnfibcom.blob.core.windows.net/nfibcom/Financing-Sales-Survey.pdf</u>

¹⁰ https://www.rickscott.senate.gov/services/files/0C5859CC-4BBB-475C-AEA7-E5212B04506D

American Lighting Association American Pipeline Contractors Association American Rental Association American Subcontractors Association American Supply Association American Veterinary Medical Association Associated Builders and Contractors Associated Equipment Distributors Associated General Contractors of America Brick Industry Association Ceramic Tile Distributors Association Community Associations Institute Construction Industry Round Table Design-Build Institute of America Education Market Association

- National Association of Wholesaler-Distributors National Automatic Merchandising Association National Beer Wholesalers Association National Community Pharmacists Association National Cotton Council National Council of Agricultural Employers NATIONAL ELECTRICAL MANUFACTURERS REPRESENTATIVES ASSOCIATION® National Fastener Distributors Association National Funeral Directors Association National Grange National Lumber & Building Material Dealers Association National Marine Distributors Association National Multifamily Housing Council National Onion Association National Propane Gas Association National Ready Mixed Concrete Association National Roofing Contractors Association National RV Dealers Association (RVDA) National Small Business Association National Tooling and Machining Association National Utility Contractors Association National Wooden Pallet & Container Association New Mexico Farm & Livestock Bureau North American Association of Food Equipment Manufacturers (NAFEM) North American Equipment Dealers Association NYS Agribusiness Association Ohio Farm Bureau Federation
- Outdoor Power Equipment and Engine Service Association
- Pennsylvania Farm Bureau
- Performance Racing Industry (PRI)
- Petroleum Equipment Institute
- Plumbing-Heating-Cooling Contractors--National Association
- Power & Communication Contractors Association
- Precision Machined Products Association
- Precision Metalforming Association
- Private Investor Coalition
- Refrigerated Foods Association
- Retail Bakers of America
- Rocky Mountain Agribusiness Association
- SCorporation Association
- Service Station Dealers of America and Allied Trades
- Small Business & Entrepreneurship Council
- Small Business Legislative Council
- Society of Collision Repair Specialists (SCRS)

South Dakota Trust Association Specialty Equipment Market Association (SEMA) Subchapter SBank Association Texas Farm Bureau The Association for Hose and Accessories Distribution The Association for Hose and Accessories Distribution The Fertilizer Institute The Ohio Council of Retail Merchants The Ohio Council of Retail Merchants The Real Estate Roundtable The Transportation Alliance The Wholesale Horist and Horist Supplier Association Tile Roofing Industry Alliance Tire Industry Association USRice Producers Association USA Rice

Virginia Cattlemen's Association Virginia Farm Bureau WASDA - Water and Sewer Distributors of America Wholesale Florist & Floral Supplier Association Wood Industry Association Workplace Solutions Association Wyoming Farm Bureau Federation Wyoming Stock Growers Association