

July 25, 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, strongly support amending the FY2025 National Defense Authorization Act to delay by one year the Corporate Transparency Act's (CTA) filing deadline.

Amendments sponsored by Senators Tim Scott (#2169) and James Lankford (#2831) would provide the business community and federal regulators additional time to educate millions of small business owners regarding the CTA's new reporting requirements and the onerous penalties resulting if they fail to comply. They would also allow time for the on-going legal challenge to work its way through the courts while restoring Congress's original intent to give covered entities a full two years to comply with the statute's reporting requirements.

Although filing under the CTA began at the start of this year, only a few million businesses have registered while an estimated 28 million covered small businesses have yet to file. This compliance rate of less than 10 percent is a direct result of the general lack of awareness among business owners regarding the new rules. While the business community and FinCEN have gone to great lengths to educate small business owners, it is clear additional time is needed. Absent a delay, millions of law-abiding citizens will be at risk of steep fines and criminal penalties come the end of this year.

Recent court decisions have added to the confusion. In March, the United States District Court for the Northern District of Alabama found the CTA exceeded the Constitution's enumerated powers and is therefore unconstitutional. That case was appealed and will be heard by an appellate court later this year. In the meantime, however, FinCEN continues to enforce the CTA against all small businesses and other entities not named in the lawsuit. This decision effectively creates two classes of small businesses – those NSBA members who are exempt and everybody else who must still comply.

Finally, in enacting the CTA lawmakers explicitly called for a reporting deadline of “not later than 2 years after the effective date of the regulations” for existing entities. This timeframe was designed to give affected entities sufficient time to learn of, understand and comply with the new reporting regime, while minimizing the burdens on reporting companies.

In its rulemaking, however, FinCEN shortened this deadline and gave existing entities just one year to comply. That decision is problematic both in its disregard of congressional intent and its practical implications for compliance rates. The CTA covers tens of millions of legal entities plus all those millions of individuals considered to be “beneficial owners,” yet the vast majority of the law's targets remain wholly unfamiliar with their new compliance obligations. They simply need time to learn about the new law.

The one-year delay proposed by Senators Scott and Lankford in their respective amendments would address these challenges and they are consistent with legislation (H.R. 5119) which passed the House on a bipartisan 420-1 vote just last year.

The undersigned organizations therefore strongly urge you to support inclusion of these amendments as part of the FY2025 National Defense Authorization Act.

Cc: The Honorable Roger Wicker, Ranking Member, Senate Committee on Armed Services

Sincerely,

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
American Lighting Association
American Pipeline Contractors Association
American Rental Association
American Subcontractors Association
American Supply Association
American Veterinary Medical Association
AmericanHort
America's SBDC
Associated Builders and Contractors
Associated Equipment Distributors
Associated General Contractors of America
Brick Industry Association
Ceramic Tile Distributors Association
Colorado Cattlemen's Association
Community Associations Institute
Construction Industry Round Table
Design-Build Institute of America
Education Market Association
Energy Marketers of America
Family Business Coalition
FCA International
Finseca
Foodservice Equipment Distributors Association
Forest Resources Association
GAWDA
Global Cold Chain Alliance
Hardwood Federation
Hearth, Patio & Barbecue Association
Heating, Air-conditioning, & Refrigeration Distributors International
ICSC
Independent Bakers Association
Independent Electrical Contractors
Industrial Fasteners Institute
International Franchise Association
International Housewares Association
International Sign Association
Irrigation Association
ISSA, The Worldwide Cleaning Industry Association

Leading Builders of America
Main Street Employers Coalition
Manufactured Housing Institute
Manufacturer & Business Association
Marine Retailers Association of the Americas
Metals Service Center Institute
Michigan Farm Bureau
Nareit
National Apartment Association
National Association of Convenience Stores
National Association of Electrical Distributors
National Association of Home Builders
National Association of Sporting Goods Wholesalers
National Association of Wholesaler-Distributors
National Automatic Merchandising Association
National Community Pharmacists Association
National Cotton Council
National Council of Agricultural Employers
National Electrical Contractors Association (NECA)
National Electrical Manufacturers Representatives Association (NEMRA)
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 Restaurant 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
Oregon Cattlemen's Association
Outdoor Power Equipment and Engine Service Association
Pennsylvania Farm Bureau
Performance Racing Industry (PRI)
Plumbing-Heating-Cooling Contractors--National Association
Power & Communication Contractors Association
Precision Machined Products Association
Precision Metalforming Association
PRINTING United Alliance
Private Investor Coalition

Professional Beauty Association
Refrigerated Foods Association
Retail Bakers of America
Rocky Mountain Agribusiness Association
S Corporation Association
Service Station Dealers of America and Allied Trades
Small Business & Entrepreneurship Council
Small Business Legislative Council (SBLC)
Society of Collision Repair Specialists (SCRS)
South Dakota Trust Association
Southeastern Lumber Manufacturers Association
Specialty Equipment Market Association (SEMA)
Subchapter S Bank Association
Texas Farm Bureau
Textile Care Allied Trades Association
The Association for Hose and Accessories Distribution
The Fertilizer Institute
The Ohio Council of Retail Merchants
The Real Estate Roundtable
The Transportation Alliance
The Wholesale Florist and Florist Supplier Association
Tile Roofing Industry Alliance
Tire Industry Association
Truck Renting and Leasing Association
U.S. Chamber of Commerce
US Rice 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