

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