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February 14, 2024

The Honorable Zach Nunn
U.S. House of Representatives
1232 Longworth House Office Building
Washington, D.C. 20515

Dear Representative Nunn,

On behalf of NFIB, the nation's leading small business advocacy organization, I write concerning today's hearing entitled, "Oversight of the Financial Crimes Enforcement Network (FinCEN) and the Office of Terrorism and Financial Intelligence (TFI)".

On January 1, 2024, one of the most expansive small business regulations in history went into effect. This substantial new reporting requirement, known as the Corporate Transparency Act, will affect 32.6 million small businesses this year and five to six million small businesses each year thereafter.¹ The cost of this regulation is a staggering \$22.7 billion in its first year and \$5.6 billion per year moving forward.² Failure to file completed and updated reports with the Financial Crimes Enforcement Network (FinCEN) could result in civil penalties up to \$10,000 and criminal penalties of up to 2 years in prison. In total, this burdensome regulation smothers the smallest businesses in America with more than \$73 billion in compliance costs and it only applies to small businesses with 20 or fewer employees and \$5 million or less in annual revenue.

According to a recent survey of NFIB members, 83 percent of small business owners were not aware of the new FinCEN requirements. Considering the significant penalties for noncompliance, the lack of awareness amongst the business community is alarming.

However, as small business owners across the country learn of the new requirements, their opposition to the law grows. In fact, numerous small businesses in Iowa shared how the new beneficial ownership requirements would personally affect their businesses:

¹ Comments were submitted saying that FinCEN underestimated the compliance costs, which NFIB agrees. See Comments of James Richards, Principal of RegTech Consulting LLC, FinCEN's Proposed Beneficial Ownership Information Reporting Form, FinCEN, January 18, 2023, <https://www.regulations.gov/comment/FINCEN-2023-0002-0003>.

² Beneficial Ownership Information Reporting Requirements, Final Rule, Financial Crimes Enforcement Network, September 30, 2022, <https://www.regulations.gov/document/FINCEN-2021-0005-0461>.

- *"We are a small family run business. The last thing we need are more regulations. Running a small business is difficult enough without additional legislation requiring more expenses and personal information from me and my employees." Monona, IA small business*
- *"This will add undue hardship to my business. It will also put my information at risk. I don't need one more thing to do in my business that does not give me a return. Increased regulatory compliance has a significant impact on my ability as a small business to create jobs and grow." Rock Rapids, IA small business*
- *"We are a small ag retailer serving clients in a 40-mile radius. This business was started in 2004 entirely on borrowed money. It has taken 15 years to get to the point where cash flow was acceptable, let alone concerns of meeting payroll in the early years. There always seems to be new regulations aimed at large businesses and corporations but end up disrupting the small businesses the most." Bayard, IA small business*
- *"Please stop with over regulation. Our government is discouraging small businesses by all of the regulatory/paperwork. Increased regulatory compliance has a significant impact on my ability as a small business to create jobs and grow." Massena, IA small business*
- *"We have a very busy small automobile repair shop with 3 employees. I am short a mechanic which makes work time very tight and can't find experienced employees willing to work for our small wages therefore there is no time for any additional work. We are working our best to complete daily jobs as it is. Please do not require more federal reporting requirements to our already active schedule." Schaller, IA small business*

NFIB appreciates the House Financial Services Committee examining this burdensome requirement on the smallest of businesses. We look forward to working with you to reduce red tape for small businesses.

Sincerely,



Jeff Brabant
Vice President, Federal Government Relations
NFIB

cc: Chairman Patrick McHenry, Financial Services Committee

Ranking Member Maxine Waters, Financial Services Committee