

February 10, 2025

The Honorable Zach Nunn
United States House of Representatives
1410 Longworth Office Building
Washington, D.C. 20515

The Honorable Sharice Davids
United States House of Representatives
2435 Rayburn House Office Building
Washington, D.C. 20515

The Honorable Tom Emmer
United States House of Representatives
326 Cannon House Office Building
Washington, D.C. 20515

The Honorable Don Davis
United States House of Representatives
1123 Longworth House Office Building
Washington, D.C. 20515

Re: Protect Small Businesses from Excessive Paperwork Act of 2025 (H.R. 736)

Dear Reps. Nunn, Davids, Emmer, and Davis:

On behalf of the American Bankers Association (ABA), I am writing to express our strong support for H.R. 736, the Protect Small Businesses from Excessive Paperwork Act of 2025. This important bipartisan legislation would extend the Corporate Transparency Act's (CTA) beneficial ownership reporting deadline by one year until January 1, 2026. This extension would allow Treasury's Financial Crimes Enforcement Network (FinCEN) sufficient time to review regulatory implementation of the CTA to ensure that Treasury meets the law's objective of combating illicit finance without unduly burdening banks or small businesses, as Congress directed. In January 2025, Treasury Secretary Scott Bessent committed to reviewing regulatory implementation of the CTA, and the reporting deadline extension included in this bill would provide time for that review.

ABA and its members strongly supported the critical reforms that Congress made to the Bank Secrecy Act (BSA) laws in 2020, which included passing the CTA. For the past 50 years, BSA laws and regulations have been an essential tool to help safeguard the financial system and protect against harms posed by illicit actors. However, during this time, the banking industry has changed dramatically and so have the threats facing our financial system. Criminals, money launderers, and terrorists cannot and should not be able to hide behind shell companies. Congress intended the CTA to provide highly useful information to law enforcement and banks, while also relieving the burden on banks to collect information on their customers for the benefit of law enforcement.

However, flawed implementation threatens the purpose and utility of the CTA. Although the reporting rule went into effect over a year ago, many questions remain unanswered. At this time, FinCEN has only finalized two of the three rulemakings intended to implement the CTA. Banks are still in the dark about what their new regulatory obligations might be, and they remain obligated to collect now-duplicative information, an outcome Congress intended to avoid. In sharp contrast to the two-year delay before FinCEN's customer due diligence (CDD) rule became effective, Treasury provided virtually no grace period before the reporting rule took effect. That decision was a critical mistake, as it provided no

meaningful opportunity for FinCEN to educate the millions of small businesses nationwide about the new reporting obligation before the reporting rule went into effect. This outcome left banks in an impossible position. Congress did not delegate responsibility for informing the public of beneficial ownership reporting requirements to banks – and for good reason, because banks are not equipped to do this.

Banks are committed to supporting their customers, including the estimated 37 million small businesses that were previously required to report their beneficial ownership information to FinCEN by January 1, 2025. As of early December 2024, as many as 66% of affected small businesses had not yet reported, and many affected businesses are still unaware of this rule. In addition, of the small businesses that are aware of the rule, there remains significant confusion about the rule's requirements and any applicable deadlines.

This bill would allow the Treasury Department sufficient time to review and complete the implementation of rules consistent with Congressional directives in the Corporate Transparency Act, minimize the compliance burden on both banks and small businesses, and ensure that small businesses are fully aware of their compliance obligations.

Thank you for introducing this important piece of bipartisan legislation.

Sincerely,



Cc: Members of the United States House of Representatives