February 6, 2024

SB446 Proponent Written Only Testimony

Chairman Thompson and members of the committee,

I received an interesting and timely email yesterday at my work. I was not aware of the Corporate Transparency Act ("CTA") which became effective January 1, 2024. This CTA requires the disclosure of the beneficial ownership information of certain entities from people who own or control a company. When I searched the internet for the reasons behind the CTA I received the following result:

1. **Combatting Money Laundering**: The CTA aims to prevent individuals with malicious intent from hiding or benefiting from the ownership of U.S. entities to facilitate illegal operations. Money laundering, often facilitated through "shell" corporations or other entities, poses a significant threat to national security and economic integrity.
2. **Enhancing Transparency**: By requiring the reporting of **Beneficial Ownership Information (BOI)**, the CTA seeks to shed light on the ownership details of specific entities operating in or accessing the U.S. market. This transparency helps authorities identify potential risks and illicit activities.
3. **Targeting Smaller Businesses**: The CTA particularly focuses on smaller businesses, including those termed "nonemployer firms" with no employees. These entities play a crucial role in improving business activity transparency and are the primary target of the reporting requirements.

When confirming with our CPA that my employer was exempt from the CTA reporting requirements, we received the response below:

"The logic with exempting "large operating entities" is that because of their size, they are already suitably monitored by the government. The objective with this requirement is keeping tabs on companies that may be flying under the radar in terms of ownership. (An example we are hearing is how much Chinese ownership is there in some of the companies that own real estate.) There is a lot of buzz in the media in the past couple of months regarding this, and there is actually still a lot of uncertainty regarding compliance."

This new Corporate Transparency Act and related information only confirms my belief that the purchase of land by foreign nationals, businesses and governments should be restricted. We must protect our country and our state from all threats and enemies, whether they be potential or perceived, foreign or domestic. I respectfully request SB 446 be passed out of committee and recommended for passage by the Senate.

Kari Sue
Vosburgh
We The People KS
Sedgwick County Precinct Committeewoman

Below is additional information received from our CPA regarding the Corporate Transparency Act.

New Beneficial Ownership Information Reporting Requirement
Effective January 1, 2024, a significant number of businesses are required to comply with the Corporate Transparency Act ("CTA"). The CTA requires the disclosure of the beneficial ownership information (otherwise known as "BOI") of certain entities from people who own or control a company.

Below is preliminary information for you to consider for this new reporting requirement. This information is meant to be general in nature. Application to your specific facts and circumstances should be completed in consultation with competent legal counsel or other retained professional advisors.

For a more in depth analysis of the BOI reporting requirements, please visit the BOI Small Compliance Guide.

What entities are required to comply with the BOI reporting requirement?

Entities organized both in the U.S. and outside the U.S. may be subject to BOI reporting requirements. Domestic companies required to report include corporations, limited liability companies (LLCs) or any similar entity created by the filing of a document with a secretary of state or any similar office under the laws of a state or Indian tribe.

Are there any exemptions from the filing requirements?

There are 23 categories of exemptions. Included in the exemptions list are publicly traded companies, banks and credit unions, securities brokers/dealers, tax-exempt entities and certain inactive entities, among others.

In addition, certain "large operating entities" are exempt from filing. To qualify for this exemption, the company must:

a) Employ more than 20 people in the U.S.;
b) Have reported gross revenue (or sales) of over $5M on the prior year's tax return; **and**
c) Be physically present in the U.S.

Who is a beneficial owner?

Any individual who, directly or indirectly, either:
- Exercises "substantial control" over a reporting company, or
- Owns or controls at least 25 percent of the ownership interests of a reporting company

An individual has substantial control of a reporting company if they direct, determine or exercise substantial influence over important decisions of the reporting company. This includes any senior officers of the reporting company, regardless of formal title or if they have no ownership interest in the reporting company.

The detailed CTA regulations define the terms "substantial control" and "ownership interest" further.

When must companies file?

There are different filing timeframes depending on when an entity is registered/formed or if there is a change to the beneficial owner's information.

- **New entities (created/registered in 2024) — must file within 90 days**
- New entities (created/registered after 12/31/2024) — must file within 30 days
- **Existing entities (created/registered before 1/1/24) — must file by 1/1/25**
- Reporting companies that have changes to previously reported information or discover inaccuracies in previously filed reports — must file within 30 days

Initial reports and updated reports are required, but reporting on an annual basis will not be required.

What sort of information must be reported?

Companies must report the following information: full name of the reporting company, any trade name or doing business as (DBA) name, business address, state or Tribal jurisdiction of formation, and an IRS taxpayer identification number (TIN).

Additionally, information regarding the beneficial owners of the entity such as name, date of birth, address, and a unique identifying number from an acceptable identification document such as a driver's license or passport will need to be provided. An image of the identification document from an issuing jurisdiction will be provided when filing the reports. A newly created entity is also required to provide information regarding company applicants.

In lieu of supplying sensitive information, a beneficial owner can apply for a FinCEN identifier and provide this to a reporting company.

How will the information be reported?

Reports are required to be submitted electronically on the FinCEN website.

Risk of non-compliance

Penalties for willfully not complying with the BOI reporting requirement can result in criminal and civil penalties of $500 per day and up to $10,000 with up to two years of jail time.

There remain many unanswered questions in the accounting profession as to whether CPA firms may provide services related to these filing requirements under our professional standards and whether professional liability insurance carriers will cover these types of services. Due to these uncertainties, "XX", CPAs will not prepare the BOI reports on behalf of your company. As always, we will be available for any questions that you may have regarding this issue.