

SUMMARY OF INCORPORATION TRANSPARENCY AND LAW ENFORCEMENT ASSISTANCE ACT

August 1, 2013

To protect the United States from U.S. corporations being misused to support terrorism, money laundering, tax evasion, and other misconduct, the Levin-Grassley-Feinstein-Harkin Incorporation Transparency and Law Enforcement Assistance Act would:

Beneficial Ownership Information. Require the States directly or through licensed formation agents to obtain the names of beneficial owners of the corporations or limited liability companies (LLCs) formed under State law, ensure this information is updated, and provide the information to law enforcement upon receipt of a subpoena or summons.

Shelf Corporations. Require formation agents who sell “shelf corporations” – corporations formed for later sale to third parties – to identify the beneficial owners who buy them.

Federal Contractors. Require corporations or LLCs bidding on federal contracts to provide beneficial ownership information to the federal government.

Identifying Information. Require the provision of beneficial owners’ names, addresses, and a U.S. drivers license or passport number, or information from a non-U.S. passport.

Penalties for False Information. Establish penalties for persons who knowingly provide false information, or willfully fail to provide required information, on beneficial ownership.

Exemptions. Exempt from the disclosure obligation regulated corporations, including publicly traded companies, banks, broker-dealers, insurers, and accounting firms; corporations with a substantial U.S. presence; and corporations whose beneficial ownership information would not benefit the public interest or assist law enforcement.

Funding. Provide \$40 million over three years to States from existing Justice and Treasury Department forfeiture funds to pay for the costs of complying with the Act.

State Compliance Report. Specify that funds may not be withheld from any State for failure to comply with the Act, but also require a GAO report in five years identifying any States not in compliance so a future Congress can determine if additional steps are needed.

Transition Period. Give the States two years to begin requiring existing corporations and LLCs to provide beneficial ownership information.

Anti-Money Laundering Safeguards. Require paid formation agents to establish anti-money laundering programs to guard against supplying U.S. corporations or LLCs to wrongdoers. Attorneys using paid formation agents would be exempt from this requirement.

GAO Study. Require GAO to complete a study of existing beneficial ownership information requirements for partnerships, charities, and trusts.