



June 4, 2024

The Honorable Sherrod Brown
Chairman, Committee on Banking, Housing and Urban Affairs
United States Senate
Washington, DC 20510

The Honorable Tim Scott
Ranking Member, Committee on Banking, Housing and Urban Affairs
United States Senate
Washington, DC 20510

Dear Chairman Brown and Ranking Member Scott:

The undersigned organizations, representing the America's real estate industry, urge you to advance the *Protect Small Business and Prevent Illicit Financial Activity Act* (S. 3625), introduced by Ranking Member Tim Scott.

The bipartisan companion to this legislation (H.R. 5119), introduced by Representatives Zach Nunn (R-IA) and Joyce Beatty (D-OH), passed the House of Representatives by a decisive vote of 420-1 on December 12, 2023. This legislation would delay the filing deadlines of the Corporate Transparency Act (CTA) by one year.

We share your commitment to fighting criminals and money launderers who would misuse the U.S. financial system to carry out their illicit schemes. However, due to the far-reaching scope of the *CTA*, we are concerned about the regulatory burden and cost it imposes on many commercial and residential real estate businesses.

How does this affect the real estate industry? There are more real estate partnerships in the U.S. than any other line of business – so the beneficial ownership reporting requirements in the *CTA* pose a significant regulatory burden for the real estate and small business community. We also remain concerned about confusion around which businesses must report, what information must be reported, and when the information must be reported – particularly for small real estate partnerships.

In addition to these issues, the CTA's implementing regulations come with the potential for significant civil or even criminal penalties for those found to be non-compliant. Those that can afford to do so will hire lawyers and other consultants to help with the reporting process, but those that cannot afford the expense will be left to navigate the incredibly complicated set of rules and regulations on their own.

As highlighted in a recent House Small Business Committee hearing, businesses in the housing and broader real estate industry will face other challenges meeting the deadlines. Not only will this be harmful to real estate industry participants, development of much needed housing, but also to families seeking affordable housing.

A one-year delay of the CTA's filing deadline would:

- Be consistent with congressional intent to give covered entities two years to comply with the CTA's reporting requirements; and
- Provide the business community and the Financial Crimes Enforcement Network (FinCEN) additional time to educate millions of small business owners regarding the new reporting requirements and the onerous penalties resulting from non-compliance.

As the AICPA noted in its letter, FinCEN has significantly underestimated the cost burdens associated with the new reporting regime, it has relied on vague and arbitrary standards in laying out the criminal and civil penalties under the statute, and it has implemented filing deadlines for newly-formed entities which in some cases are impossible to meet. All these shortcomings need to be addressed.

The real estate community also shares others' concerns about the security of the beneficial ownership database. Small businesses will be required to report sensitive pieces of private information, and several lawmakers cited recent Internal Revenue Service (IRS) warnings regarding scams that target such information. A delay would allow time to complete the database, provide reporting businesses with clear rules and ensure a secure process for submitting required information.

Further, stakeholders have cited the limitations of FinCEN's financial and staffing resources. A delay will help relieve strain on FinCEN's resources, allowing the agency to ensure it can provide impacted entities with access to adequate support.

Given these factors, we respectfully request that Congress, FinCEN and the U.S. Department of the Treasury take appropriate steps to delay implementation of the beneficial ownership information reporting requirements.

Committee on Banking, Housing and Urban Affairs

Page 3

June 4, 2024

We look forward to continuing to work with policymakers on the implementation of the CTA and other policies with impacts on the housing and real estate industries. Thank you for your attention to these concerns.

Sincerely,

American Hotel & Lodging Association
American Seniors Housing Association
BOMA International
Council for Affordable and Rural Housing
ICSC
Manufactured Housing Institute
Nareit
National Apartment Association
National Association of Home Builders
National Leased Housing Association
National Multifamily Housing Council
The Real Estate Roundtable

cc: Members of the U.S. Senate Committee on Banking, Housing and Urban Affairs