



MEMO OF SUPPORT

[A9415-B \(Gallagher\) / S8439-A \(Hoylman\)](#)

*Requires Disclosure of LLC Beneficial Owners
("LLC Transparency Act")*

May 19, 2022

TITLE OF BILL

An act to amend the limited liability company law, in relation to the disclosure of beneficial owners of limited liability companies.

SUMMARY OF PROVISIONS

Section 1 states the name of the bill.

Section 2 adds a new subdivision (ii) to Limited Liability Company (LLC) Law §102 to define "beneficial owner," including requiring a unique identifier for individuals, and provide that certain people such as minors, LLC employees, or members of worker-owned cooperatives shall not be counted as owners in most instances. This section also provides that when a trust owns 25% or more of an LLC, certain individuals within the trust shall be identified.

Section 3 amends LLC Law §203(e)(6) and (7) to require that documents be filed identifying LLC owners when an LLC is newly organized in New York State.

Section 4 amends LLC Law §211(d), paragraphs 8, 9, and 10, and adds a new paragraph 11 to require an amendment to the documents necessary for establishing an LLC if the LLC's beneficial owners change.

Section 5 adds a new §215 to LLC Law to require disclosure of an LLC's beneficial owners and allows LLCs to file the same forms filed with the federal government.

Section 6 amends LLC Law §802(a), paragraphs 7 and 8, and adds a new paragraph 9 to require that documents be filed identifying LLC owners when a foreign LLC is newly organized in New York State.

Section 7 adds a new subdivision (c) to LLC Law §804 to require an amendment to the documents necessary for establishing a foreign LLC if the LLC's beneficial owners change.

Section 8 adds a new §810 to LLC Law to require disclosure of a foreign LLC's beneficial owners and allows LLCs to file the same forms filed with the federal government.

Section 9 provides that the bill shall take effect 365 days after becoming law.

STATEMENT OF SUPPORT

Reinvent Albany supports the LLC Transparency Act because it will create greater transparency for New York State's LLCs, which play a major role in the lives of New Yorkers through real estate holdings and political activities, including campaign contributions to candidates for state and local office.

An investigation by New York Focus recently found that [LLCs still donate massive amounts to candidates for state office](#), with numerous LLCs exceeding the \$5,000 contribution limit, and one donating [nearly \\$40,000 to candidates in a single year](#). Because of weak enforcement by the Board of Elections, many LLCs making political contributions have not disclosed their owners as required by [a change to the law in 2019](#).

[Reporting in the New York Times](#) has exposed how LLC "shell companies" can be a vehicle for money laundering. Earlier in 2022, as part of the Corporate Transparency Act, the US Justice Department published [extensive new rules](#) requiring the disclosure to the federal government of the beneficial owners of LLCs. These federal rules are intended to crack down on criminals that use shell companies to hide illegal funds behind opaque corporate structures. In 2016, the IRS did a six-month pilot program in Manhattan that required disclosure of owners of LLCs selling or purchasing property worth more than \$3 million. The findings of that report generated news coverage that helped inspire this legislation.

The State of New York should follow suit to ensure data on LLC ownership is available to local tax and law enforcement authorities. Opening up beneficial owners' identity to the public will help government regulators and law enforcement bodies determine whether LLCs are being used to illegally move cash and dodge taxes.

We believe this bill provides a strong foundation for making the ownership of New York's LLCs more transparent. We hope that in the future, the Legislature will go even further by establishing a public database of LLC beneficial owners, sharing of beneficial owner data between the NYS Departments of State and Taxation and Finance, and mechanisms for enforcing the law such as appropriate penalties.