



## MEMO OF SUPPORT

[A3484-A \(Gallagher\) / S995-B \(Hoylman-Sigal\)](#)

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

May 23, 2023

### **TITLE OF BILL**

The LLC Transparency Act.

### **SUMMARY OF PROVISIONS**

Section 1 states the name of the bill.

Section 2 adds four new subdivisions to Limited Liability Company (LLC) Law §102 to provide that “beneficial owner,” “initial report,” “reporting company,” and “exempt company” have the same definitions as [section 1010.380 in the Code of Federal Regulations](#), as well as that for references to LLCs beneficial owners, “limited liability company” will include foreign and authorized foreign LLCs where applicable.

Section 3 amends LLC Law §203(e)(6), (7) and (8) to require that documents be filed identifying LLC owners when an LLC is newly organized in New York State, and that exempt companies must indicate which exemptions they claim against their obligation to file an initial report.

Section 4 amends LLC Law §211(d), paragraphs 8, 9, and 10, and adds a new paragraph 11 to require that LLCs making amendments to their filings must also file a beneficial owner disclosure statement under a new §215 of the LLC Law.

Section 5 adds a new §215 to LLC Law to list information that must be disclosed by an LLC identifying its beneficial owners. This is the same information that must be filed with the federal government. For existing LLCs, beneficial owner disclosure is required by January 1, 2025.

Section 6 amends LLC Law §802(a), paragraphs 7 and 8, and adds a new paragraph 9 to require that for identifying foreign LLC owners, exempt companies provide a signed statement indicating which exemptions they are claiming against filing an initial report, and reporting companies identify beneficial owners of the foreign LLC.

Section 7 adds a new subdivision (c) to LLC Law §804 to require an amendment to the foreign LLC's application for authority should any of the LLC's beneficial owners change.

Section 8 adds a new §810 to LLC Law to list information that must be disclosed by a foreign LLC identifying its beneficial owners. This is the same information that must be filed with the federal government.

Section 9 adds a new §100-b to the Executive Law to require that the Department of State include in its business entity database the full legal name or names of each beneficial owner for every LLC and foreign LLC that is a reporting company. The database shall also include information such as the business entity's name, street address, and filing history. The section also establishes a waiver process for LLCs with "significant privacy interests," which are listed in this section. The Department will assign each LLC beneficial owner a unique number and publish it in the department's publicly searchable database for LLCs granted waivers.

Section 10 provides that the bill shall take effect 365 days after becoming law.

## **STATEMENT OF SUPPORT**

Our groups strongly support the LLC Transparency Act. New York Focus reported in May 2022 that [LLCs still donate significant 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. In 2016, [the Treasury Department launched a program in Manhattan](#) and Miami-Dade County 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.

[As the Treasury noted when publishing its new regulations:](#)

*In its 2018 National Money Laundering Risk Assessment, and in its 2018 and 2020 National Strategies for Combating Terrorist and Other Illicit Financing (“2018 Illicit Financing Strategy” and “2020 Illicit Financing Strategy,” respectively), **the Department of the Treasury discussed the money laundering risks inherent in the United States' lack of a comprehensive beneficial ownership reporting regime.** In the 2018 National Money Laundering Risk Assessment, Treasury highlighted a number of cases where **shell and front companies were used in the United States to disguise funds generated in Medicare and Medicaid fraud, trade-based money laundering, or drug trafficking, among other crimes.***

New York State 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 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. We also urge the Department of State to quickly publish this new beneficial owner data on [data.ny.gov](https://data.ny.gov), updating its [active corporations data](#), as required by [Executive Order 95 of 2013](#).