

MHI Continues to Fight New Reporting Requirements for Small Businesses

As the Senate and House of Representatives begin conference discussions on the Fiscal Year 2021 National Defense Authorization Act (NDAA), MHI is working with a coalition of small business groups [urging](#) Congress to exclude a provision from the House bill that shifts Financial Crimes Enforcement Network (FinCEN) reporting responsibilities from banks to small businesses.

While the House passed such a provision as a rider to the NDAA as a result of advocacy by the banks, MHI engaged its members in a grassroots campaign and worked with a coalition of small business groups to oppose Senate inclusion of that provision in its bill. MHI argued that the imposition of this additional reporting requirement would hurt small business owners at a time when they are doing all they can to support the survival of their companies during the pandemic. The effort was successful, and the Senate bill does not include the shift in reporting responsibility.

Under a rule that took effect in May 2018, financial institutions are required to collect information about the owners of corporate banking accounts and report that information to FinCEN. The intent of this requirement is to combat money laundering by identifying anonymous shell companies or limited liability companies with no significant assets or operations. Banks have objected to this reporting requirement and are asking Congress to require small businesses to validate their own identities with FinCEN.

Under the provision passed by the House, millions of small businesses in the United States would be required to register with FinCEN and file updated reports within a year of any corporate information changes. Willful failure to provide complete and updated reports to FinCEN would result in civil penalties of \$500 per day up to \$10,000 and criminal penalties of up to two years in prison, or both. The House provision also significantly reduces the due process rights of small business owners by lowering the legal standards for whom, for what, and for how information could be accessed.

As the conference committee works to reconcile the differences in the House and Senate's NDAA bills, MHI continues to advocate that the House provision is excluded from the final package that is sent to the President for signature.

If you have any questions, please contact MHI's Advocacy and Communications Department at MHIgov@mfghome.org or 703-558-0675.