**Congressional Budget Office**
Cost Estimate

September 12, 2019

## At a Glance

### H.R. 2513, Corporate Transparency Act of 2019

**As ordered reported by the House Committee on Financial Services on June 11, 2019**

| By Fiscal Year, Millions of Dollars | 2019 | 2019-2024 | 2019-2029 |
|---|---|---|---|
| Direct Spending (Outlays) | 0 | * | * |
| Revenues | 0 | * | * |
| Deficit Effect | 0 | * | * |
| Spending Subject to Appropriation (Outlays) | 0 | 132 | not estimated |

| | | | |
|---|---|---|---|
| Statutory pay-as-you-go procedures apply? | **Yes** | **Mandate Effects** | |
| Increases on-budget deficits in any of the four consecutive 10-year periods beginning in 2030? | **No** | Contains intergovernmental mandate? | **Yes, Under Threshold** |
| | | Contains private-sector mandate? | **Yes, Over Threshold** |

* = between -$500,000 and $500,000.

**The bill would**

- Require certain companies to provide information annually to the Financial Crimes Enforcement Network (FinCEN)
- Require FinCEN to inspect certain law enforcement agencies
- Establish civil and criminal fines for violations of the bill's provisions
- Require states to notify some applicants for corporation and limited liability corporation (LLC) status of new requirements to identify beneficial owners of the corporation
- Prohibit some newly formed corporations and LLCs from issuing bearer shares (equity securities wholly owned by the holder of the physical stock certificate)
- Require corporations and LLCs to provide beneficial ownership information annually to FinCen

**Estimated budgetary effects would primarily stem from**

- Costs to FinCEN to hire additional employees to carry out the bill's provisions

**Areas of significant uncertainty include**

- The number of new annual filings with FinCEN that would result from enactment of the bill

**Detailed estimate begins on the next page.**

## Bill Summary

H.R. 2513 would require certain corporations and limited liability companies, or applicants to form such entities, to provide information to the Financial Crimes Enforcement Network annually. Violators of the bill's provisions would be subject to civil and criminal penalties.

## Estimated Federal Cost

The estimated budgetary effect of H.R. 2513 is shown in Table 1. The costs of the legislation fall within budget function 750 (administration of justice).

**Table 1.**
**Estimated Increases in Spending Subject to Appropriation Under H.R. 2513[a]**

| | By Fiscal Year, Millions of Dollars | | | | | | |
|---|---|---|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2019-2024 |
| Estimated Authorization | 0 | 26 | 27 | 27 | 28 | 28 | 136 |
| Estimated Outlays | 0 | 23 | 26 | 27 | 28 | 28 | 132 |

a. In addition to the amounts above, CBO estimates that enacting H.R. 2513 would have insignificant effects on revenues and direct spending in each year and over the five and ten-year periods.

## Basis of Estimate

CBO assumes that the legislation will be enacted near the end of 2019 and that the necessary amounts will be provided each year. Estimated outlays are based on historical spending patterns for similar activities.

### Direct Spending

H.R. 2513 would make the funds available to FinCEN for the agency to implement the bill's provisions, as follows:

- Up to $30 million of unobligated balances from the Treasury Forfeiture Fund, and;
- Up to $10 million of unobligated balances from the Department of Justice Assets Forfeiture Fund.

CBO's May 2019 baseline projects that both forfeiture funds will obligate and outlay all of their available balances over a period of several years. FinCEN expects that it would have to update and expand its information technology systems to carry out the bill and, based on information from the agency, CBO estimates that those one-time costs would total about $40 million. CBO expects those funds would be provided to FinCEN from the forfeiture funds as directed by the bill. Because those funds would have otherwise been spent under current law, we estimate that enacting the bill could affect the timing of outlays but would not increase direct spending over the 2020-2029 period.

Violators of the bill's reporting requirements could be subject to civil and criminal penalties, so enacting H.R. 2513 could increase collections of fines. Civil fines are recorded in the budget as revenues. Criminal fines are recorded as revenues, deposited in the Crime Victims Fund, and subsequently spent without further appropriation. CBO estimates that any additional collections would not be significant in any year and over the 2020-2029 period because of the relatively small number of additional cases likely to be affected.

**Spending Subject to Appropriation**

H.R. 2513 would require certain corporations and limited liability companies, or applicants to form such entities, to provide information annually to FinCEN about the ownership of such entities. Most of the entities that would be affected by the bill are small businesses that currently are not required to report to FinCEN.

FinCEN currently receives about 20 million filings each year from companies and spends about $23 million annually to collect, store, analyze, and disseminate this information. Upon enactment of H.R. 2513, the agency expects to receive an additional 25 million to 30 million filings each year. On that basis, CBO estimates that the agency would need an appropriation of $25 million in 2020 to hire additional personnel to handle the new filings; those costs would grow each year because of expected increases in inflation.

In addition, the new information provided to FinCEN would be available to law enforcement agencies, upon request, and the bill would require FinCEN to conduct an annual inspection of each such agency to ensure that the requests are legitimate and that the information is used appropriately. FinCEN expects that it would need to hire five new employees to carry out the additional inspection and liaison activities with the law enforcement community. CBO estimates that the new employees would cost about $1 million annually.

In total, CBO estimates that implementing H.R. 2513 would cost $132 million over the 2020-2024 period for additional FinCEN activities.

**Uncertainty**

The cost to FinCEN to implement the bill depends largely on the number of businesses that would be required to file with the agency under H.R. 2513. The budgetary effect of the bill could be different if the number of such filings differs significantly from CBO's estimate.

## Pay-As-You-Go Considerations

The Statutory Pay-As-You-Go Act of 2010 establishes budget-reporting and enforcement procedures for legislation affecting direct spending or revenues. CBO estimates that enacting H.R. 2513 would have insignificant effects on direct spending and revenues in each year, over the 2019-2024 period, and over the 2019-2029 period.

## **Increase in Long-Term Deficits:** None.

## Mandates

H.R. 2513 contains intergovernmental and private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA). CBO estimates that the cost of the mandate on public entities would fall below the threshold established in UMRA ($82 million in 2019, adjusted annually for inflation). CBO estimates that the cost of the mandates on private-sector entities, however, would exceed the threshold established in UMRA ($164 million in 2019, adjusted annually for inflation).

### Mandates that Apply to Public Entities

H.R. 2513 would require states to notify entities applying to form a corporation or an LLC of new requirements to report information about beneficial owners. CBO expects that states would include the notification in materials provided to applicants for corporate or LLC designations and that the cost to update those materials would be small.

### Mandates that Apply to Private Entities

H.R. 2513 would prohibit a new corporation or LLC formed under state or tribal laws from issuing bearer shares. (Bearer shares are equity securities wholly owned by the holder of the physical stock certificate. Issuers of bearer shares do not register the owner of the shares or track ownership transfers.) Because the prohibition would not affect existing bearer shares and would simply prohibit new shares from being issued, CBO estimates the cost of the mandate would be small.

The bill also would require corporations or LLCs formed under state or tribal laws to report the identity of beneficial owners to FinCEN and to annually update that information. CBO anticipates the bill would generate approximately 25 million to 30 million new filings each year. Because of the high volume of businesses that must meet the new reporting requirements and the additional administrative burden to file a new report, CBO estimates that the total costs to comply with the mandate would be substantial.

## Estimate Prepared By

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September 12, 2019

Honorable Maxine Waters
Chairwoman
Committee on Financial Services
U.S. House of Representatives
Washington, DC 20515

Dear Madam Chairwoman:

The Congressional Budget Office has prepared the enclosed cost estimate for H.R. 2513, the Corporate Transparency Act of 2019.

If you wish further details on this estimate, we will be pleased to provide them. The CBO staff contact is Mark Grabowicz, who can be reached at 226-2860.

Sincerely,

Phillip L. Swagel

Enclosure

cc: Honorable Patrick McHenry
Ranking Member