

113TH CONGRESS  
1ST SESSION

# S. 1465

To ensure that persons who form corporations in the United States disclose the beneficial owners of those corporations, in order to prevent the formation of corporations with hidden owners, stop the misuse of United States corporations by wrongdoers, and assist law enforcement in detecting, preventing, and punishing terrorism, money laundering, tax evasion, and other criminal and civil misconduct involving United States corporations, and for other purposes.

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IN THE SENATE OF THE UNITED STATES

AUGUST 1, 2013

Mr. LEVIN (for himself, Mr. GRASSLEY, Mrs. FEINSTEIN, and Mr. HARKIN) introduced the following bill; which was read twice and referred to the Committee on the Judiciary

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## A BILL

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1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

1 **SECTION 1. SHORT TITLE.**

2 This Act may be cited as the “Incorporation Trans-  
3 parency and Law Enforcement Assistance Act”.

4 **SEC. 2. FINDINGS.**

5 Congress finds the following:

6 (1) Nearly 2,000,000 corporations and limited  
7 liability companies are being formed under the laws  
8 of the States each year.

9 (2) Very few States obtain meaningful informa-  
10 tion about the beneficial owners of the corporations  
11 and limited liability companies formed under their  
12 laws.

13 (3) A person forming a corporation or limited  
14 liability company within the United States typically  
15 provides less information to the State of incorpora-  
16 tion than is needed to obtain a bank account or driv-  
17 er’s license and typically does not name a single ben-  
18 efiticial owner.

19 (4) Terrorists and other criminals have ex-  
20 ploited the weaknesses in State formation proce-  
21 dures to conceal their identities when forming cor-  
22 porations or limited liability companies in the United  
23 States, and have then used the newly created enti-  
24 ties to support terrorist organizations, drug traf-  
25 ficking organizations, and international organized  
26 crime groups, as well as commit misconduct affect-

1 ing interstate and international commerce such as  
2 trafficking in illicit drugs, illegal arms trafficking,  
3 money laundering, tax evasion, Internet-based fraud,  
4 securities fraud, financial fraud, intellectual property  
5 crimes, and acts of corruption.

6 (5) Among those who have abused State incor-  
7 poration procedures is Victor Bout, a Russian arms  
8 dealer who used at least 12 companies incorporated  
9 in Texas, Florida, and Delaware to carry out his ac-  
10 tivities, and has been convicted, in part, for con-  
11 spiring to sell weapons to a terrorist organization  
12 trying to kill citizens of the United States and Fed-  
13 eral officers and employees.

14 (6) Law enforcement efforts to investigate cor-  
15 porations and limited liability companies suspected  
16 of wrongdoing have been impeded by the lack of  
17 available beneficial ownership information, as docu-  
18 mented in reports and testimony by officials from  
19 the Department of Justice, the Department of  
20 Homeland Security, the Financial Crimes Enforce-  
21 ment Network of the Department of the Treasury,  
22 the Internal Revenue Service, the Government Ac-  
23 countability Office, and others.

24 (7) In July 2006, a leading international anti-  
25 money laundering and anti-terrorist financing orga-

1 nization, the Financial Action Task Force on Money  
2 Laundering (in this section referred to as “FATF”),  
3 of which the United States is a member, issued a re-  
4 port that criticized the United States for failing to  
5 comply with a FATF standard on the need to collect  
6 beneficial ownership information and urged the  
7 United States to correct this deficiency by July  
8 2008.

9 (8) In response to the FATF report and to  
10 strengthen measures to protect homeland security,  
11 Federal officials have repeatedly urged the States to  
12 improve their formation practices by obtaining bene-  
13 ficial ownership information for the corporations and  
14 limited liability companies formed under the laws of  
15 such States. But the States continue to form mil-  
16 lions of corporations with hidden owners.

17 (9) Many States have established automated  
18 procedures that allow a person to form a new cor-  
19 poration or limited liability company within the  
20 State within 24 hours of filing an online application,  
21 without any prior review of the application by a  
22 State official. In exchange for a substantial fee, 2  
23 States will form a corporation within 1 hour of a re-  
24 quest.

1           (10) Dozens of Internet websites highlight the  
2           anonymity of beneficial owners allowed under the  
3           formation practices of some States, point to those  
4           practices as a reason to incorporate in those States,  
5           and list those States together with offshore jurisdic-  
6           tions as preferred locations for the formation of new  
7           corporations, essentially inviting terrorists and other  
8           wrongdoers to form entities within the United  
9           States.

10           (11) In contrast to practices in the United  
11           States, all 28 countries in the European Union are  
12           already required to have formation agents identify  
13           the beneficial owners of the corporations formed by  
14           those agents under the laws of those countries.

15           (12) To reduce the vulnerability of the United  
16           States to wrongdoing by United States corporations  
17           and limited liability companies with hidden owners,  
18           protect interstate and international commerce from  
19           terrorists and other criminals misusing United  
20           States corporations and limited liability companies,  
21           strengthen law enforcement investigations of suspect  
22           corporations and limited liability companies, set min-  
23           imum standards for and level the playing field  
24           among State formation practices, and bring the  
25           United States into compliance with international

1 anti-money laundering and anti-terrorist financing  
2 standards, Federal legislation is needed to require  
3 the States to obtain beneficial ownership information  
4 for the corporations and limited liability companies  
5 formed under the laws of such States.

6 **SEC. 3. TRANSPARENT INCORPORATION PRACTICES.**

7 (a) TRANSPARENT INCORPORATION PRACTICES.—  
8 Part E of title I of the Omnibus Crime Control and Safe  
9 Streets Act of 1968 (42 U.S.C. 3750 et seq.) is amended  
10 by adding at the end the following:

11 **“Subpart 4—Transparent Incorporation Practices**

12 **“SEC. 531. TRANSPARENT INCORPORATION PRACTICES.**

13 “(a) INCORPORATION SYSTEMS.—

14 “(1) IN GENERAL.—To protect the United  
15 States from the misuse affecting interstate or for-  
16 eign commerce of corporations and limited liability  
17 companies with hidden owners, each State that re-  
18 ceives funding under subpart 1 shall, not later than  
19 3 years after the date of enactment of this subpart,  
20 use an incorporation system that meets the following  
21 requirements:

22 “(A) IDENTIFICATION OF BENEFICIAL  
23 OWNERS.—Except as provided in paragraphs  
24 (2) and (4), each applicant to form a corpora-  
25 tion or limited liability company under the laws

1 of the State is required to provide to the State  
2 during the formation process a list of the bene-  
3 ficial owners of the corporation or limited liabil-  
4 ity company that—

5 “(i) identifies each beneficial owner by  
6 name, current residential or business street  
7 address, and a unique identifying number  
8 from a nonexpired passport issued by the  
9 United States or a nonexpired drivers li-  
10 cense or identification card issued by a  
11 State;

12 “(ii) if any beneficial owner exercises  
13 control over the corporation or limited li-  
14 ability company through another legal enti-  
15 ty, such as a corporation, partnership, or  
16 trust, identifies each such legal entity and  
17 each such beneficial owner who will use  
18 that entity to exercise control over the cor-  
19 poration or limited liability company; and

20 “(iii) if the applicant is not a bene-  
21 ficial owner, provides the identification in-  
22 formation described in clause (i) relating  
23 to the applicant.

1           “(B) UPDATED INFORMATION.—For each  
2 corporation or limited liability company formed  
3 under the laws of the State—

4           “(i) the corporation or limited liability  
5 company is required by the State to submit  
6 to the State an updated list of the bene-  
7 ficial owners of the corporation or limited  
8 liability company and the information de-  
9 scribed in subparagraph (A) for each such  
10 beneficial owner not later than 60 days  
11 after the date of any change in the bene-  
12 ficial owners of the corporation or limited  
13 liability company;

14           “(ii) in the case of a corporation or  
15 limited liability company formed or ac-  
16 quired by a formation agent and retained  
17 by the formation agent as a beneficial  
18 owner for transfer to another person, the  
19 formation agent is required by the State to  
20 submit to the State an updated list of the  
21 beneficial owners and the information de-  
22 scribed in subparagraph (A) for each such  
23 beneficial owner not later than 10 days  
24 after the date on which the formation



1 agent transfers the corporation or limited  
2 liability company to another person; and

3 “(iii) the corporation or limited liabil-  
4 ity company is required by the State to  
5 submit to the State an annual filing con-  
6 taining the list of the beneficial owners of  
7 the corporation or limited liability company  
8 and the information described in subpara-  
9 graph (A) for each such beneficial owner.

10 “(C) RETENTION OF INFORMATION.—Ben-  
11 efiticial ownership information relating to each  
12 corporation or limited liability company formed  
13 under the laws of the State is required to be  
14 maintained by the State until the end of the 5-  
15 year period beginning on the date that the cor-  
16 poration or limited liability company terminates  
17 under the laws of the State.

18 “(D) INFORMATION REQUESTS.—Bene-  
19 efiticial ownership information relating to each  
20 corporation or limited liability company formed  
21 under the laws of the State shall be provided by  
22 the State upon receipt of—

23 “(i) a civil, criminal, or administrative  
24 subpoena or summons from a State agen-  
25 cy, Federal agency, or congressional com-

1           mittee or subcommittee requesting such in-  
2           formation;

3           “(ii) a written request made by a Fed-  
4           eral agency on behalf of another country  
5           under an international treaty, agreement,  
6           or convention, or an order under section  
7           3512 of title 18, United States Code, or  
8           section 1782 of title 28, United States  
9           Code, issued in response to a request for  
10          assistance from a foreign country; or

11          “(iii) a written request made by the  
12          Financial Crimes Enforcement Network of  
13          the Department of the Treasury.

14          “(E) NO BEARER SHARE CORPORA-  
15          TIONS.—A corporation or limited liability com-  
16          pany formed under the laws of the State may  
17          not issue a certificate in bearer form evidencing  
18          either a whole or fractional interest in the cor-  
19          poration or limited liability company.

20          “(2) STATES THAT LICENSE FORMATION  
21          AGENTS.—

22          “(A) IN GENERAL.—To meet the require-  
23          ments under this section, a State described in  
24          subparagraph (B) may permit an applicant to  
25          form a corporation or limited liability company

1 under the laws of the State, or a corporation or  
2 limited liability company formed under the laws  
3 of the State, to provide the required informa-  
4 tion to a licensed formation agent residing in  
5 the State, instead of to the State directly, if the  
6 application under paragraph (1)(A) or the up-  
7 date under paragraph (1)(B) contains—

8 “(i) the name, current business ad-  
9 dress, contact information, and licensing  
10 number of the licensed formation agent  
11 that has agreed to maintain the informa-  
12 tion required under this section; and

13 “(ii) a certification by the licensed  
14 formation agent that the licensed forma-  
15 tion agent has possession of the informa-  
16 tion required under this section and will  
17 maintain the information in the State li-  
18 censing the licensed formation agent in ac-  
19 cordance with this section.

20 “(B) STATES DESCRIBED.—A State de-  
21 scribed in this subparagraph is a State that—

22 “(i) receives funding under subpart 1;  
23 and

24 “(ii) maintains a formal licensing sys-  
25 tem for formation agents that requires a

1 formation agent to register with the State,  
2 meet standards for fitness and honesty,  
3 maintain a physical office and records  
4 within the State, undergo regular moni-  
5 toring, and be subject to sanctions for non-  
6 compliance with State requirements.

7 “(C) LICENSED FORMATION AGENT DU-  
8 TIES.—A licensed formation agent that receives  
9 beneficial ownership information in accordance  
10 with this section shall—

11 “(i) maintain the information in the  
12 State in which the corporation or limited  
13 liability company is being or has been  
14 formed in the same manner as required for  
15 States under paragraph (1)(C);

16 “(ii) provide the information under  
17 the same circumstances as required for  
18 States under paragraph (1)(D); and

19 “(iii) perform the duties of a forma-  
20 tion agent under paragraph (3).

21 “(D) TERMINATION OF RELATIONSHIP.—

22 “(i) IN GENERAL.—Except as pro-  
23 vided in clause (ii), a licensed formation  
24 agent that receives beneficial ownership in-  
25 formation relating to a corporation or lim-

1           ited liability company under State law in  
2           accordance with this paragraph and that  
3           resigns, dissolves, or otherwise ends a rela-  
4           tionship with the corporation or limited li-  
5           ability company shall within 60 days—

6                   “(I) notify the State in writing  
7                   that the licensed formation agent has  
8                   resigned or ended the relationship;  
9                   and

10                   “(II) transmit all beneficial own-  
11                   ership information relating to the cor-  
12                   poration or limited liability company  
13                   in the possession of the licensed for-  
14                   mation agent to the licensing State.

15                   “(ii) EXCEPTION.—If a licensed for-  
16                   mation agent receives written instructions  
17                   from a corporation or limited liability com-  
18                   pany, the licensed formation agent may  
19                   transmit the beneficial ownership informa-  
20                   tion relating to the corporation or limited  
21                   liability company to another licensed for-  
22                   mation agent that is within the same State  
23                   and has agreed to maintain the informa-  
24                   tion in accordance with this section.

1           “(iii) NOTICE TO STATE.—If a li-  
2           censed formation agent provides beneficial  
3           ownership information to another licensed  
4           formation agent under clause (ii), the li-  
5           censed formation agent providing the infor-  
6           mation shall, within the 60-day period  
7           specified under clause (i), notify in writing  
8           the State under the laws of which the cor-  
9           poration or limited liability company is  
10          formed of the identity of the licensed for-  
11          mation agent receiving the information.

12           “(3) CERTAIN BENEFICIAL OWNERS.—If an ap-  
13          plicant to form a corporation or limited liability com-  
14          pany or a beneficial owner, officer, director, or simi-  
15          lar agent of a corporation or limited liability com-  
16          pany who is required to provide identification infor-  
17          mation under this section does not have a non-  
18          expired passport issued by the United States or a  
19          nonexpired drivers license or identification card  
20          issued by a State, each application described in  
21          paragraph (1)(A) and each update described in  
22          paragraph (1)(B) shall include a certification by a  
23          formation agent residing in the State that the for-  
24          mation agent—

1           “(A) has obtained for each such person a  
2           current residential or business street address  
3           and a legible and credible copy of the pages of  
4           a nonexpired passport issued by the government  
5           of a foreign country bearing a photograph, date  
6           of birth, and unique identifying information for  
7           the person;

8           “(B) has verified the name, address, and  
9           identity of each such person;

10          “(C) will provide the information described  
11          in subparagraph (A) and the proof of  
12          verification described in subparagraph (B) upon  
13          request under the same circumstances as re-  
14          quired for States under paragraph (1)(D); and

15          “(D) will retain the information and proof  
16          of verification under this paragraph in the  
17          State in which the corporation or limited liabil-  
18          ity company is being or has been formed until  
19          the end of the 5-year period beginning on the  
20          date that the corporation or limited liability  
21          company terminates under the laws of the  
22          State.

23          “(4) EXEMPT ENTITIES.—

24                 “(A) IN GENERAL.—An incorporation sys-  
25                 tem described in paragraph (1) shall require

1 that an application for an entity described in  
2 clause (i) or (ii) of subsection (d)(2)(B) that is  
3 proposed to be formed under the laws of a  
4 State and that will be exempt from the bene-  
5 ficial ownership disclosure requirements under  
6 this section shall include in the application a  
7 certification by the applicant, or a prospective  
8 officer, director, or similar agent of the entity—

9 “(i) identifying the specific provision  
10 of subsection (d)(2)(B) under which the  
11 entity proposed to be formed would be ex-  
12 empt from the beneficial ownership disclo-  
13 sure requirements under paragraphs (1),  
14 (2), and (3);

15 “(ii) stating that the entity proposed  
16 to be formed meets the requirements for  
17 an entity described under such provision of  
18 subsection (d)(2)(B); and

19 “(iii) providing identification informa-  
20 tion for the applicant or prospective offi-  
21 cer, director, or similar agent making the  
22 certification in the same manner as pro-  
23 vided under paragraph (1) or (3).

24 “(B) EXISTING ENTITIES.—On and after  
25 the date that is 2 years after the date on which



1 a State begins requiring beneficial ownership  
2 information in compliance with this section, an  
3 entity formed under the laws of the State be-  
4 fore such effective date shall be considered to  
5 be a corporation or limited liability company for  
6 purposes of this subsection unless an officer, di-  
7 rector, or similar agent of the entity submits to  
8 the State a certification—

9 “(i) identifying the specific provision  
10 of subsection (d)(2)(B) under which the  
11 entity is exempt from the requirements  
12 under paragraphs (1), (2), and (3);

13 “(ii) stating that the entity meets the  
14 requirements for an entity described under  
15 such provision of subsection (d)(2)(B); and

16 “(iii) providing identification informa-  
17 tion for the officer, director, or similar  
18 agent making the certification in the same  
19 manner as provided under paragraph (1)  
20 or (3).

21 “(C) EXEMPT ENTITIES WITH AN OWNER-  
22 SHIP INTEREST.—As part of the beneficial own-  
23 ership information required under subsection  
24 (a)(1), neither an applicant seeking to form a  
25 corporation or limited liability company nor a

1 corporation or limited liability company pro-  
2 viding updated information is required to iden-  
3 tify the beneficial owners of any entity that  
4 qualifies as an exempt entity under subsection  
5 (d)(2)(B).

6 “(b) PENALTIES.—

7 “(1) IN GENERAL.—It shall be unlawful for any  
8 person to affect interstate or foreign commerce by  
9 failing to comply with this subpart by—

10 “(A) knowingly providing, or attempting to  
11 provide, false or fraudulent beneficial ownership  
12 information, including a false or fraudulent  
13 identifying photograph, to a State or formation  
14 agent;

15 “(B) willfully failing to provide complete or  
16 updated beneficial ownership information to a  
17 State or formation agent;

18 “(C) knowingly disclosing the existence of  
19 a subpoena, summons, or other request for ben-  
20 efiticial ownership information, except—

21 “(i) to the extent necessary to fulfill  
22 the authorized request; or

23 “(ii) as authorized by the entity that  
24 issued the subpoena, summons, or other  
25 request; or

1           “(D) in the case of a formation agent,  
2           knowingly failing to obtain or maintain credible,  
3           legible, and updated beneficial ownership infor-  
4           mation, including any required identifying pho-  
5           tograph.

6           “(2) CIVIL AND CRIMINAL PENALTIES.—In ad-  
7           dition to any civil or criminal penalty that may be  
8           imposed by a State, any person who violates para-  
9           graph (1)—

10           “(A) shall be liable to the United States  
11           for a civil penalty of not more than \$10,000;  
12           and

13           “(B) may be fined under title 18, United  
14           States Code, imprisoned for not more than 3  
15           years, or both.

16           “(c) RULES.—To carry out this subpart, the Attor-  
17           ney General of the United States, the Secretary of Home-  
18           land Security, and the Secretary of the Treasury may  
19           issue joint guidance or a joint rule to clarify application  
20           of the definitions under subsection (d) or to specify how  
21           to verify beneficial ownership or other identification infor-  
22           mation provided under this section, including under sub-  
23           section (a)(3). Failure to issue any such guidance or rule  
24           shall not delay the effective date of the requirements under  
25           this subpart.

1 “(d) DEFINITIONS.—For the purposes of this section:

2 “(1) BENEFICIAL OWNER.—

3 “(A) IN GENERAL.—Except as provided in  
4 subparagraph (B), the term ‘beneficial owner’  
5 means a natural person who, directly or indi-  
6 rectly—

7 “(i) exercises substantial control over  
8 a corporation or limited liability company;  
9 or

10 “(ii) has a substantial interest in or  
11 receives substantial economic benefits from  
12 the assets of a corporation or limited liabil-  
13 ity company.

14 “(B) EXCEPTIONS.—The term ‘beneficial  
15 owner’ shall not include—

16 “(i) a minor child;

17 “(ii) a person acting as a nominee,  
18 intermediary, custodian, or agent on behalf  
19 of another person;

20 “(iii) a person acting solely as an em-  
21 ployee of a corporation or limited liability  
22 company and whose control over or eco-  
23 nomic benefits from the corporation or lim-  
24 ited liability company derives solely from  
25 the employment status of the person;

1           “(iv) a person whose only interest in  
2           a corporation or limited liability company  
3           is through a right of inheritance, unless  
4           the person also meets the requirements of  
5           subparagraph (A); or

6           “(v) a creditor of a corporation or  
7           limited liability company, unless the cred-  
8           itor also meets the requirements of sub-  
9           paragraph (A).

10          “(C) ANTI-ABUSE RULE.—The exceptions  
11          under subparagraph (B) shall not apply if used  
12          for the purpose of evading, circumventing, or  
13          abusing the provisions of subparagraph (A) or  
14          subsection (a).

15          “(2) CORPORATION; LIMITED LIABILITY COM-  
16          PANY.—

17                 “(A) IN GENERAL.—Subject to subpara-  
18                 graph (B), the terms ‘corporation’ and ‘limited  
19                 liability company’—

20                         “(i) have the meanings given such  
21                         terms under the laws of the applicable  
22                         State; and

23                         “(ii) include any non-United States  
24                         entity eligible for registration or registered  
25                         to do business as a corporation or limited

1 liability company under the laws of the ap-  
2 plicable State.

3 “(B) EXEMPT ENTITIES.—Subject to sub-  
4 section (a)(4), the terms ‘corporation’ and ‘lim-  
5 ited liability company’ do not include an entity  
6 that—

7 “(i) is—

8 “(I) a business concern that is an  
9 issuer of a class of securities reg-  
10 istered under section 12 of the Securi-  
11 ties Exchange Act of 1934 (15 U.S.C.  
12 781) or that is required to file reports  
13 under section 15(d) of that Act (15  
14 U.S.C. 78o(d));

15 “(II) a business concern con-  
16 stituted or sponsored by a State, a po-  
17 litical subdivision of a State, under an  
18 interstate compact between 2 or more  
19 States, by a department or agency of  
20 the United States, under the laws of  
21 the United States, or by an inter-  
22 national organization of which the  
23 United States is a member;

24 “(III) a depository institution (as  
25 defined in section 3 of the Federal

1 Deposit Insurance Act (12 U.S.C.  
2 1813));

3 “(IV) a credit union (as defined  
4 in section 101 of the Federal Credit  
5 Union Act (12 U.S.C. 1752));

6 “(V) a bank holding company (as  
7 defined in section 2 of the Bank Hold-  
8 ing Company Act of 1956 (12 U.S.C.  
9 1841));

10 “(VI) a broker or dealer (as de-  
11 fined in section 3 of the Securities  
12 Exchange Act of 1934 (15 U.S.C.  
13 78c)) that is registered under section  
14 15 of the Securities Exchange Act of  
15 1934 (15 U.S.C. 78o);

16 “(VII) an exchange or clearing  
17 agency (as defined in section 3 of the  
18 Securities Exchange Act of 1934 (15  
19 U.S.C. 78c)) that is registered under  
20 section 6 or 17A of the Securities Ex-  
21 change Act of 1934 (15 U.S.C. 78f  
22 and 78q-1);

23 “(VIII) an investment company  
24 (as defined in section 3 of the Invest-  
25 ment Company Act of 1940 (15

1 U.S.C. 80a-3)) or an investment advi-  
2 sor (as defined in section 202(11) of  
3 the Investment Advisors Act of 1940  
4 (15 U.S.C. 80b-2(11))), if the com-  
5 pany or adviser is registered with the  
6 Securities and Exchange Commission,  
7 or has filed an application for reg-  
8 istration which has not been denied,  
9 under the Investment Company Act of  
10 1940 (15 U.S.C. 80a-1 et seq.) or the  
11 Investment Advisor Act of 1940 (15  
12 U.S.C. 80b-1 et seq.);

13 “(IX) an insurance company (as  
14 defined in section 2 of the Investment  
15 Company Act of 1940 (15 U.S.C.  
16 80a-2));

17 “(X) a registered entity (as de-  
18 fined in section 1a of the Commodity  
19 Exchange Act (7 U.S.C. 1a)), or a fu-  
20 tures commission merchant, intro-  
21 ducing broker, commodity pool oper-  
22 ator, or commodity trading advisor  
23 (as defined in section 1a of the Com-  
24modity Exchange Act (7 U.S.C. 1a))



1 that is registered with the Commodity  
2 Futures Trading Commission;

3 “(XI) a public accounting firm  
4 registered in accordance with section  
5 102 of the Sarbanes-Oxley Act (15  
6 U.S.C. 7212);

7 “(XII) a public utility that pro-  
8 vides telecommunications service, elec-  
9 trical power, natural gas, or water  
10 and sewer services within the United  
11 States;

12 “(XIII) a church, a charity, or a  
13 nonprofit entity that is described in  
14 sections 501(c), 527, or 4947(a)(1) of  
15 the Internal Revenue Code of 1986,  
16 has not been denied tax exempt sta-  
17 tus, and is required to and has filed  
18 the most recently due annual informa-  
19 tion return with the Internal Revenue  
20 Service;

21 “(XIV) any business concern  
22 that—

23 “(aa) employs more than 20  
24 employees on a full-time basis in  
25 the United States;

1                   “(bb) files income tax re-  
2                   turns in the United States dem-  
3                   onstrating more than \$5,000,000  
4                   in gross receipts or sales; and

5                   “(cc) has an operating pres-  
6                   ence at a physical location within  
7                   the United States; or

8                   “(XV) any corporation or limited  
9                   liability company which is owned, in  
10                  whole or in substantial part, by an en-  
11                  tity described in subclause (I), (II),  
12                  (III), (IV), (V), (VI), (VII), (VIII),  
13                  (IX), (X), (XI), (XII), (XIII), or  
14                  (XIV); or

15                  “(ii) is within any class of business  
16                  concerns which the Attorney General of the  
17                  United States, the Secretary of Homeland  
18                  Security, and the Secretary of the Treas-  
19                  ury jointly determine in writing, upon the  
20                  request of a State, and through an order,  
21                  guidance, or rule should be exempt from  
22                  the requirements of subsection (a), because  
23                  requiring beneficial ownership information  
24                  from the business concern would not serve  
25                  the public interest and would not assist

1 law enforcement efforts to detect, prevent,  
2 or punish criminal or civil misconduct.

3 “(3) FORMATION AGENT.—The term ‘formation  
4 agent’ means a person who, for compensation, acts  
5 on behalf of another person to form, or assist in the  
6 formation, of a corporation or limited liability com-  
7 pany under the laws of a State.”.

8 (b) FUNDING AUTHORIZATION.—

9 (1) IN GENERAL.—To carry out section 531 of  
10 the Omnibus Crime Control and Safe Streets Act of  
11 1968, as added by this Act, and to protect the  
12 United States against the misuse affecting interstate  
13 or foreign commerce of corporations or limited liabil-  
14 ity companies with hidden owners, during the 3-year  
15 period beginning on the date of enactment of this  
16 Act, funds shall be made available to each State (as  
17 that term is defined under section 901(a)(2) of the  
18 Omnibus Crime Control and Safe Streets Act of  
19 1968 (42 U.S.C. 3791(a)(2))), to pay reasonable  
20 costs to comply with the requirements of such sec-  
21 tion 531 from one or more of the following sources:

22 (A) Upon written request by a State, and  
23 without further appropriation, the Attorney  
24 General of the United States shall make avail-  
25 able or transfer to the State funds from excess

1 unobligated balances (as defined in section  
2 524(c)(8)(D) of title 28, United States Code) in  
3 the Department of Justice Assets Forfeiture  
4 Fund established under section 524(c) of title  
5 28, United States Code.

6 (B) Upon written request by a State, after  
7 consultation with the Attorney General of the  
8 United States, and without further appropria-  
9 tion, the Secretary of the Treasury shall make  
10 available or transfer to the State funds from  
11 unobligated balances described in section  
12 9703(g)(4)(B) of title 31, United States Code,  
13 in the Department of the Treasury Forfeiture  
14 Fund.

15 (2) ELIGIBLE COSTS.—The Attorney General  
16 and Secretary of the Treasury, in their sole discre-  
17 tion, shall determine what costs are reasonable for  
18 purposes of paragraph (1), taking into account the  
19 maximum amount of funds available for distribution  
20 to States under paragraph (3).

21 (3) MAXIMUM AMOUNTS.—

22 (A) DEPARTMENT OF JUSTICE.—The At-  
23 torney General of the United States may not  
24 make available to States a total of more than  
25 \$10,000,000 under paragraph (1)(A).

1 (B) DEPARTMENT OF THE TREASURY.—

2 The Secretary of the Treasury may not make  
3 available to States a total of more than  
4 \$30,000,000 under paragraph (1)(B).

5 (4) FUNDING AVAILABILITY.—The amounts  
6 available to be provided to, and any amounts pro-  
7 vided to, a State under paragraph (1) shall be ex-  
8 empt from, and shall not be reduced under, any  
9 order under section 251A of the Balanced Budget  
10 and Emergency Deficit Control Act of 1985 (2  
11 U.S.C. 901a), including the order for fiscal year  
12 2014 issued by the President on April 10, 2013.

13 (c) STATE COMPLIANCE REPORT.—Nothing in this  
14 Act or an amendment made by this Act authorizes the  
15 Attorney General of the United States to withhold from  
16 a State any funding otherwise available to the State under  
17 subpart 1 of part E of title I of the Omnibus Crime Con-  
18 trol and Safe Streets Act of 1968 (42 U.S.C. 3750 et seq.)  
19 because of a failure by that State to comply with subpart  
20 4 of part E of title I of the Omnibus Crime Control and  
21 Safe Streets Act of 1968, as added by this Act. Not later  
22 than 42 months after the date of enactment of this Act,  
23 the Comptroller General of the United States shall submit  
24 to the Committee on the Judiciary of the Senate and the  
25 Committee on the Judiciary of the House of Representa-

1 tives a report identifying which States are in compliance  
2 with subpart 4 of part E of title I of the Omnibus Crime  
3 Control and Safe Streets Act of 1968 and, for any State  
4 not in compliance, what measures must be taken by that  
5 State to achieve compliance with such subpart 4.

6 (d) EFFECT ON STATE LAW.—

7 (1) IN GENERAL.—This Act and the amend-  
8 ments made by this Act do not supersede, alter, or  
9 affect any statute, regulation, order, or interpreta-  
10 tion in effect in any State, except where a State has  
11 elected to receive funding from the Department of  
12 Justice under subpart 1 of part E of title I of the  
13 Omnibus Crime Control and Safe Streets Act of  
14 1968 (42 U.S.C. 3750 et seq.), and then only to the  
15 extent that such State statute, regulation, order, or  
16 interpretation is inconsistent with this Act or an  
17 amendment made by this Act.

18 (2) NOT INCONSISTENT.—A State statute, reg-  
19 ulation, order, or interpretation is not inconsistent  
20 with this Act or an amendment made by this Act if  
21 such statute, regulation, order, or interpretation—

22 (A) requires additional information, more  
23 frequently updated information, or additional  
24 measures to verify information related to a cor-  
25 poration, limited liability company, or beneficial

1 owner, than is specified under this Act or an  
2 amendment made by this Act; or

3 (B) imposes additional limits on public ac-  
4 cess to the beneficial ownership information ob-  
5 tained by the State than is specified under this  
6 Act or an amendment made by this Act.

7 (3) STATE RECORDS.—Nothing in this Act or  
8 the amendments made by this Act limits the author-  
9 ity of a State, by statute or otherwise, to disclose or  
10 to not disclose to the public all or any portion of the  
11 beneficial ownership information provided to the  
12 State under subpart 4 of part E of title I of the Om-  
13 nibus Crime Control and Safe Streets Act of 1968,  
14 as added by this Act.

15 (4) NO DUTY OF VERIFICATION.—This Act and  
16 the amendments made by this Act do not impose  
17 any obligation on a State to verify the name, ad-  
18 dress, or identity of a beneficial owner whose infor-  
19 mation is submitted to such State under subpart 4  
20 of part E of title I of the Omnibus Crime Control  
21 and Safe Streets Act of 1968, as added by this Act.

22 (e) FEDERAL CONTRACTORS.—Not later than the  
23 first day of the first full fiscal year beginning at least 1  
24 year after the date of enactment of this Act, the Adminis-  
25 trator for Federal Procurement Policy shall revise the

1 Federal Acquisition Regulation maintained under section  
2 1303(a)(1) of title 41, United States Code, to require any  
3 contractor who is subject to the requirement to disclose  
4 beneficial ownership information under subpart 4 of part  
5 E of title I of the Omnibus Crime Control and Safe Streets  
6 Act of 1968, as added by this Act, to provide the informa-  
7 tion required to be disclosed under such subpart 4 to the  
8 Federal Government as part of any bid or proposal for  
9 a contract with a value threshold in excess of the sim-  
10 plified acquisition threshold under section 134 of title 41,  
11 United States Code.

12 **SEC. 4. ANTI-MONEY LAUNDERING AND ANTI-TERRORIST**  
13 **FINANCING OBLIGATIONS OF FORMATION**  
14 **AGENTS.**

15 (a) ANTI-MONEY LAUNDERING AND ANTI-TER-  
16 RORIST FINANCING OBLIGATIONS OF FORMATION  
17 AGENTS.—Section 5312(a)(2) of title 31, United States  
18 Code, is amended—

19 (1) in subparagraph (Y), by striking “or” at  
20 the end;

21 (2) by redesignating subparagraph (Z) as sub-  
22 paragraph (AA); and

23 (3) by inserting after subparagraph (Y) the fol-  
24 lowing:



1           “(Z) any person engaged in the business of  
2           forming corporations or limited liability compa-  
3           nies; or”.

4           (b) DEADLINE FOR IMPLEMENTING RULE FOR FOR-  
5           MATION AGENTS.—

6           (1) PROPOSED RULE.—Not later than 120 days  
7           after the date of enactment of this Act, the Sec-  
8           retary of the Treasury, in consultation with the Sec-  
9           retary of Homeland Security and the Attorney Gen-  
10          eral of the United States, shall publish a proposed  
11          rule in the Federal Register requiring persons de-  
12          scribed in section 5312(a)(2)(Z) of title 31, United  
13          States Code, as amended by this section, to establish  
14          anti-money laundering programs under subsection  
15          (h) of section 5318 of that title.

16          (2) FINAL RULE.—Not later than 270 days  
17          after the date of enactment of this Act, the Sec-  
18          retary of the Treasury shall publish the rule de-  
19          scribed in this subsection in final form in the Fed-  
20          eral Register.

21          (3) EXCLUSIONS.—Any rule promulgated under  
22          this subsection shall exclude from the category of  
23          persons engaged in the business of forming a cor-  
24          poration or limited liability company—

25                  (A) any government agency; and

1 (B) any attorney or law firm that uses a  
2 paid formation agent operating within the  
3 United States to form the corporation or lim-  
4 ited liability company.

5 **SEC. 5. STUDIES AND REPORTS.**

6 (a) OTHER LEGAL ENTITIES.—Not later than 2  
7 years after the date of enactment of this Act, the Comp-  
8 troller General of the United States shall conduct a study  
9 and submit to the Committee on the Judiciary of the Sen-  
10 ate and the Committee on the Judiciary of the House of  
11 Representatives a report—

12 (1) identifying each State that has procedures  
13 that enable persons to form or register under the  
14 laws of the State partnerships, trusts, charitable or-  
15 ganizations, or other legal entities, and the nature of  
16 those procedures;

17 (2) identifying each State that requires persons  
18 seeking to form or register partnerships, trusts,  
19 charitable organizations, or other legal entities under  
20 the laws of the State to provide information about  
21 the beneficial owners (as that term is defined in sec-  
22 tion 531 of title I of the Omnibus Crime Control  
23 and Safe Streets Act of 1968, as added by this Act)  
24 or beneficiaries of such entities, and the nature of  
25 the required information;

1           (3) evaluating whether the lack of available  
2           beneficial ownership information for partnerships,  
3           trusts, charitable organizations, or other legal enti-  
4           ties—

5                   (A) raises concerns about the involvement  
6                   of such entities in terrorism, money laundering,  
7                   tax evasion, securities fraud, trafficking in illicit  
8                   drugs, or other criminal or civil misconduct;  
9                   and

10                   (B) has impeded investigations into enti-  
11                   ties suspected of such misconduct; and

12           (4) evaluating whether the failure of the United  
13           States to require beneficial ownership information  
14           for partnerships, trusts, charitable organizations, or  
15           other legal entities formed or registered in the  
16           United States has elicited international criticism and  
17           what steps, if any, the United States has taken or  
18           is planning to take in response.

19           (b) EFFECTIVENESS OF INCORPORATION PRAC-  
20           TICES.—Not later than 5 years after the date of enact-  
21           ment of this Act, the Comptroller General of the United  
22           States shall conduct a study and submit to the Committee  
23           on the Judiciary of the Senate and the Committee on the  
24           Judiciary of the House of Representatives a report assess-  
25           ing the effectiveness of incorporation practices imple-

1 mented under this Act and the amendments made by this  
2 Act in—

3           (1) providing law enforcement agencies with  
4           prompt access to reliable, useful, and complete bene-  
5           ficial ownership information; and

6           (2) strengthening the capability of law enforce-  
7           ment agencies to combat incorporation abuses and  
8           other civil and criminal misconduct.

○