FACT COALITION
Financial Accountability & Corporate Transparency

FACT Sheet

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Use of Anonymous Companies Cause Widespread Harm

The conversation about the dangers of anonymous companies has largely focused on corrupt foreign leaders and threats to national security, human trafficking, and disruption to business. Additional harms include bidding up prices that fuel the loss of affordable housing, environmental degradation, and tax evasion.

Anonymous Companies Fuel the Loss of Affordable Housing

Certain wealthy individuals will use anonymous companies to purchase real estate to undermine economic sanctions, avoid fund transfer limits out of their home nations, evade taxes, launder money and store corrupt cash.[1]

These bad actors, along with rich speculators, bid up prices on properties, and then use them as a "bank" rather than a home. This helps to fuel the loss of affordable housing in growing numbers of communities due to skyrocketing real estate prices and vastly inflated markets.[2]

- In Manhattan, eight blocks between Lenox Hill and Central Park is nearly 40 percent unoccupied, and on the Upper East Side more than a quarter of the properties are owned but vacant. These properties could be occupied by permanent low and moderate income residents, but instead they are being priced out by those looking to hide or protect assets.[3]

- In San Francisco, the South Beach neighborhood is one-fifth unoccupied and in the competitive California housing market the rent crisis is affecting low and moderate families.[4]

- A 2016 story in the Miami Herald about the impact of offshore money on the local housing market found that, "…the boom also sent home prices soaring beyond the reach of many working- and middle-class families. Locals trying to buy homes with mortgages can't compete with foreign buyers flush with cash and willing to pay the list price or more."[5]

Anonymous Companies and Environmental Degradation

Shell companies facilitate corruption long tied to environmental degradation. British economist Richard Auty is credited in 1993 with coining the phrase "the resource course," described in a 2010 Time article as "how countries with rich resources often develop more slowly, more corruptly, more violently and with more authoritarian governments than others."[6]

- The Salim Group, Indonesia's largest conglomerate, appeared to be violating sustainability guidelines aimed at banning the conversion of ecologically important conservation areas by becoming the indirect owner of four plantations. The group bypassed guidelines by utilizing a network of shell companies. These plantations are currently clearing 117,000 hectares of forest for the production of palm oil.[7]

- These plots of forests act as natural carbon sinks that keep CO_2 out of the atmosphere. If all of this peat-stored carbon was released into the atmosphere, it would be equivalent to the carbon emissions from nearly nine years of global fossil fuel use. Unfortunately, burning these forests to clear land has released hundreds of years' worth of stored carbon and pollutants into the atmosphere.[8]

Anonymous Companies Enable Tax Evasion

The debate over deficits and austerity measures continues to impact funding for vital services. We debate tax rates and loopholes that allow wealthy interests to legally avoid paying their fair share. At the same time, anonymous shell companies continue to provide a haven for tax evasion estimated to cost U.S. taxpayers $X billions every year.

- On February 16, 2017, David Evdokimow was convicted of funneling millions of dollars into the bank accounts of shell corporations and claiming these transfers as legitimate business expenses. Evdokimow used the shell corporation and De'Omilia bank accounts to pay for more than $5.8 million in personal expenses.[9]

- Mauricio Cohen Assor and his son Loen Cohen-Levy, were the developers and owners of several residential hotels in Miami. They concealed more than $150 million in assets and failed to report $49 million in income by hiding their money in a series of offshore shell companies.[10]

Anonymous Companies Are Easy to Setup and Harmful Once Created. They Can Be Stopped.

The bipartisan **Corporate Transparency Act of 2019 [H.R.2513]** would require U.S. companies to disclose their beneficial owner(s) to the Treasury Department when they incorporate, and keep their ownership information up to-do-date. Bipartisan bills in the Senate include a sister bill to the Corporate Transparency Act [**S.1978**], as well as the **TITLE Act [S. 1889]** and the **ILLICIT CASH Act [S.2563]**.

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2 Joseph Lawler. "Money Laundering is Shaping US Cities," *Washington Examiner*, March 27, 2017, http://washex.am/2mVy5BJ.
3 *Ibid.*
4 *Ibid.*
5 Nicholas Nehamas. "How secret offshore money helps fuel Miami's luxury real-estate boom." *The Miami Herald*. April 3, 2016. http://www.miamiherald.com/news/business/real-estate-news/article69248462.html.
6 Alex Perry. "Brief History: The Resource Curse." *Time*. June 28, 2010. http://ti.me/QF7DIt.
7 *Chain Reaction Research*, "The Chain: Salim Group Reportedly Acquires Four Concessions in West Papua," Chain Reaction Research, June 13, 2016, https://chainreactionresearch.com/2016/06/13/the-chain-salim-group-reportedly-acquires-four-concessions-in-west-papua/.
8 *Ibid.*
9 *Internal Revenue Service*, "New Jersey Plastic Surgeon Sentenced for Evading Taxes ," Examples of General Tax Fraud Investigations - Fiscal Year 2017, April 26, 2017, https://www.irs.gov/uac/examples-of-general-tax-fraud-investigations-fiscal-year-2017.
10 *Department of Justice*, "Miami Beach Hotel Developers Sentenced for Tax Fraud," News Release, February 04, 2011, https://www.justice.gov/sites/default/files/tax/legacy/2011/02/08/txdv2011_110204-01.pdf.