



January 17, 2020

The Honorable Mike Crapo,
Chairman, U.S. Senate Committee on Banking, Housing, and Urban Affairs
534 Dirksen Senate Office Building
Washington, D.C. 20510

The Honorable Sherrod Brown
Ranking Member, U.S. Senate Committee on Banking, Housing, and Urban Affairs
534 Dirksen Senate Office Building
Washington, D.C. 20510

Re: ILLICIT CASH Act (S. 2563)

Dear Chairman Crapo and Ranking Member Brown:

The Main Street Alliance is a national network of small businesses who engage on important public policy issues that work for business owners, their employees, and the communities they serve. We represent 30,000 small business owners across the country and write to urge you to support the “ILLICIT CASH Act” (S.2563). This bill, which would help curb tax evasion, corruption, and fraud facilitated by anonymous shell companies, is central to this mission.

The “ILLICIT CASH Act” would require American companies to disclose the identity of the actual people who own or control them (often called the “beneficial owners”). This simple act is critically important to those of us who have seen or experienced the harm resulting from anonymous shell companies. Anonymously-owned companies or those whose owners are hidden, fuel corruption, and corruption distorts markets. Shell companies win contracts on the basis of false promises, rather than legitimate competitive advantage. Consider the following:

- One couple created a string of anonymously owned companies and won U.S. government contracts by submitting extremely low bids. They then subcontracted to other businesses for the actual goods and services. The couple received the fees from the government but never paid the subcontractors. They shut down their anonymous company and set up new ones, frustrating law enforcement investigations and creating new opportunities to repeat the scam (1).
- A U.S defense contractor used his position to secure more than \$1.1 million worth of contracts for a Tennessee-based company that he secretly owned, but his wife ran under her maiden name to hide their conflict of interest (2).

- Anonymous companies are used by patent trolls to file lawsuits, costing the companies they target \$80 billion per year in lost profits and legal costs. These lawsuits serve to squash innovation and harm fragile start-ups (3).

Sadly, these are just a few of the countless examples of the harm caused by anonymous companies and the consequences for small business. Whether losing out on an initial contract or finding themselves on the fraudulent end of a commercial transaction, small businesses cannot be expected to compete with the ever-changing scams perpetrated by the owners of anonymous companies.

Requiring secretive businesses to come out from the shadows will benefit small businesses in several ways. It will reduce conflicts of interest and cronyism in contracting, as well as curb false billing of contractors and fraudulent certification for small, disadvantaged, veteran, or disability-owned businesses. Furthermore, ownership information will help prevent those who previously defrauded taxpayers from establishing a new sham operation and winning new contracts. And speaking for those businesses who honestly pay their taxes, it will make it harder for bad corporate actors to gain advantage through tax evasion.

In short, transparency levels the playing field so that businesses will engage in open competition based on product or service quality, organizational efficiencies, and talent. That is a market in which we can compete.

Congress should quickly pass S.2563 to end the corrupt practices associated with anonymous companies and support a healthier environment for small business.

Sincerely,



Amanda Ballantyne
Executive Director

Cc: Members of the U.S. Senate Committee on Banking, Housing, and Urban Affairs

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1. FBI, Conspirator Sentenced to Prison in \$2.3 Million Government Contract Fraud Scheme, <http://www.fbi.gov/baltimore/press-releases/2014/conspirator-sentenced-to-prison-in-2.3-million-government-contract-fraud-scheme>; US DOJ Press Release, Clinton Woman Pleads Guilty In \$2.3 Million Government Contract Fraud Scheme
 2. United States Attorney's Office Eastern District of Virginia, Former employee of defense contractor and wife sentenced for conspiring to obtain millions in fraudulent scheme involving vehicle parts for Afghan National Army, February 14, 2014, available at <https://www.justice.gov/usao-edva/pr/former-employee-defense-contractor-and-wife-sentenced-conspiring-obtain-millions>.
 3. James Bessen, Jennifer Ford, & Michael J. Meurer, "The Private and Social Costs of Patent Trolls," Regulation 26, 2012