

CHARLES E. SYDNOR III, ESQ.
Legislative District 44
Baltimore County

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Baltimore County Senate Delegation



James Senate Office Building
11 Bladen Street, Room 216
Annapolis, Maryland 21401
410-841-3612 · 301-858-3612
800-492-7122 Ext. 3612
Charles.Sydnor@senate.state.md.us

THE SENATE OF MARYLAND
ANNAPOLIS, MARYLAND 21401

Testimony for Senate Bill 954
Corporations and Associations– Transparency– Beneficial Ownership
March 6, 2024

Good afternoon Chair Smith, and members of the Judicial Proceedings Committee,

Senate Bill 954 introduces various amendment to the Corporations and Associations title of the Maryland Code. These proposed changes will align Maryland law with the Federal Corporate Transparency Act (“CTA”) which requires certain business entities to file “beneficial owner” information with the Financial Crimes Enforcement Network and the Department of Treasury.¹ The CTA created a database of beneficial ownership information within the Financial Crimes Enforcement Network, and the database’s purpose is to provide resources to “crack down on anonymous shell corporations.”² The CTA, in placing the burden on business, intends to detect, prevent, and punish “terrorism, money laundering, and other misconduct accomplished through business entities[.]”³ SB 954 has the same goal.

First, SB 954 introduces definitions to “Acceptable Identification Document,” “Applicant,” “Beneficial Owner” and “Reporting Entity.” SB 954’s definition of “beneficial owner” and “reporting entity” pull language from the CTA’s definition thereof.

Second, similarly to the CTA, this legislation mandates that a Reporting Entity must file a report containing the full legal name, a current residential or business address, and an acceptable identification document, within 30 days of filing the documents that formed the entity. However, if the Beneficial Owner is a minor, the report need not include the minor’s information, but must include the minor’s parent or guardian’s required information.

¹ Robert Wilson Downes, et al., American Bar Association, *The Corporate Transparency Act—Preparing for the Federal Database of Beneficial Ownership Information* (Apr. 16, 2021). [The Corporate Transparency Act – Preparing for the Federal Database of Beneficial Ownership Information \(americanbar.org\)](https://www.americanbar.org/publications/whitepapers/corporate-transparency-act-preparing-for-the-federal-database-of-beneficial-ownership-information/).

² *Id.*

³ *Id.*

Third, SB 954 makes failing to submit a report, or filing a report that a person knows contains false information is a violation of this law and the State Department of Assessments and Taxation may impose a civil penalty for each day the violation continues. This legislation permits the State Department of Assessments and Taxation to adopt regulations to carry out this law.

Finally, under the General Provisions Article, SB 954 states a custodian must allow inspection of a report by a unit of government, in the performance of that unit's official duties. This provision also follows the CTA which permits disclosure of beneficial ownership information in specified circumstances.⁴

SB 954 contains safeguards to prohibit the information from public disclosure and is a law enforcement tool that requires transparency to allow the government to solve problems. Ultimately, this legislation mimics the Federal CTA in requiring beneficial ownership information to detect, prevent, and punish business entity misconduct such as money laundering, and terrorism. For these reasons I respectfully request a favorable report for SB 954.

⁴ *Id.*